



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

FEDERAL SINGLE AUDIT

# *Montana Single Audit Report*

*For the Two Fiscal Years Ended  
June 30, 2023*

AUGUST 2024

LEGISLATIVE AUDIT  
DIVISION

22-02

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**FEDERAL SINGLE AUDIT**

Montana's federal Single Audit is a biennial audit that completes the reporting requirements of the Single Audit Act Amendments of 1996, and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The Single Audit Report is compiled from work performed by other annual or biennial individual agency audit engagements. Individual agency audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing these audits, the audit staff use standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office.

Government Auditing Standards, the Single Audit Act Amendments of 1996, and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports. This Single Audit Report complies with these reporting requirements and is intended for distribution to federal grantor agencies. The individual agency audit reports are not intended to comply with these reporting requirements and are therefore not intended for distribution to federal grantor agencies.

Audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

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# LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor  
Kenneth E. Varns, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
William Soller  
Miki Cestnik

August 2024

The Legislative Audit Committee  
of the Montana State Legislature:

It is a pleasure to provide our Single Audit Report for the state of Montana for the two fiscal years ended June 30, 2023. The Single Audit was conducted in accordance with *Government Auditing Standards*, Single Audit Act Amendments of 1996, and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). This document contains the Independent Auditor's Reports on the state of Montana's basic financial statements for the fiscal years ended June 30, 2023 (page A-5), and June 30, 2022 (page B-5). The Independent Auditor's Reports also address the reasonableness of the schedules of expenditures of federal awards in relation to the basic financial statements.

The audit disclosed certain questioned costs and deficiencies in internal control and compliance, which are summarized in the Schedule of Findings and Questioned Costs (pages C-1 through C-253). The Independent Auditor's Reports on pages A-1 and B-1 summarize instances of material noncompliance and control deficiencies over financial reporting which we consider to be significant deficiencies or material weaknesses. The Independent Auditor's Report on page C-1 categorizes the disclosed control deficiencies affecting compliance with federal regulations as significant deficiencies or material weaknesses. The Independent Auditor's Report on page C-1 also identifies compliance issues which resulted in opinion modifications for various federal programs the state administered.

Management at administering agencies responded to the audit findings, and the responses are included in each finding and in the Corrective Action Plan compiled by the Governor's Office of Budget and Program Planning (beginning on page D-1). The status of findings reported in previous state of Montana Single Audit Reports, for which continued reporting is required under Uniform Guidance, is included in the Summary Schedule of Prior Audit Findings (beginning on page E-1). This schedule was also prepared by the Governor's Office of Budget and Program Planning.

Respectfully submitted,

*/s/ Angus Maciver*

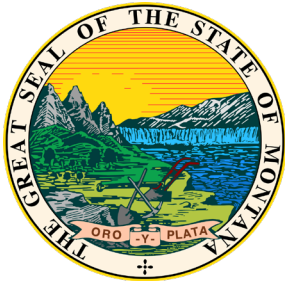
Angus Maciver  
Legislative Auditor



## TABLE OF CONTENTS

Report Summary .....	S-1
<b>FY23 FINANCIAL SECTION .....</b>	<b>A-i</b>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i> .....	A-1
Independent Auditor’s Report .....	A-5
Management’s Discussion and Analysis .....	A-9
Basic Financial Statements .....	A-20
Required Supplementary Information .....	A-164
Schedule of Expenditures of Federal Awards.....	A-195
<b>FY22 FINANCIAL SECTION.....</b>	<b>B-i</b>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i> .....	B-1
Independent Auditor’s Report .....	B-5
Management’s Discussion and Analysis .....	B-9
Basic Financial Statements .....	B-20
Required Supplementary Information .....	B-162
Schedule of Expenditures of Federal Awards.....	B-190
<b>AUDITOR’S REPORT AND FINDINGS .....</b>	<b>C-i</b>
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance .....	C-1
Section I–Summary of Auditor’s Results .....	C-21
Section II–Financial Statement Findings .....	C-25
Section III–Federal Award Findings and Questioned Costs .....	C-47
Appendix A–Research and Development Cluster Activity By CFDA# and Location .....	C-249
<b>CORRECTIVE ACTION PLAN.....</b>	<b>D-i</b>
<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS .....</b>	<b>E-i</b>





# MONTANA LEGISLATIVE AUDIT DIVISION

## FEDERAL SINGLE AUDIT Montana Single Audit Report FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023

A report to the Montana Legislature

### BACKGROUND

Montana's Federal Single Audit is a biennial audit that completes the audit and reporting requirements of the Single Audit Act of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

For the current audit, federal programs with expenditures totaling at least \$29,897,061 during the two fiscal years ending June 30, 2023, that were not determined to be low risk were identified as major federal programs. Additionally, we identified one high-risk program with expenditures under this threshold for testing. We tested 28 federal programs for the current biennial period, up from 24 for the prior biennial period. The programs were administered by 12 state agencies.

The Federal government provides extensive requirements for recipients of Federal grants. Our audit work over each of the 28 major federal programs included determining the effectiveness of internal controls over compliance, and compliance with, the requirements applicable to the programs.

The state of Montana reported approximately \$10.5 billion in expenditures of federal funds on its Schedules of Expenditures of Federal Awards for fiscal years 2022 and 2023, a decrease of approximately \$1 billion from the previous Single Audit period. Despite the overall reduction, changes in federal program spending composition resulted in four more programs requiring audit attention this biennium compared to the previous one. Our report presents 90 recommendations to the state of Montana, including 11 financial statement findings and 79 federal compliance findings. The federal compliance findings include approximately \$94.7 million of known questioned costs, with additional likely questioned costs exceeding \$25 million.

Federal grantor agencies are the primary users of the Single Audit report, and the form of this report is designed to meet their oversight needs. Legislators and other users should also find the report useful. In particular, the Schedules of Expenditures of Federal Awards for fiscal years 2022 and 2023 included in this report provide an overview of the state's federal grant expenditure activity by federal awarding agency and assistance listing number. The assistance listing number is the unique number assigned to identify a federal assistance program. The report also contains the state's basic financial statements (BFS) for fiscal years 2022 and 2023, along with the related opinions our office previously rendered on these documents in the #22-01 State of Montana and #23-01 State of Montana financial audit reports.

The landscape of federal funding in the state of Montana, and our associated audit effort, fluctuated significantly over the last three biennia. Federal funds received in response to the COVID-19 public health emergency and additional federal stimulus spending packages subsequent to the public health emergency are significant contributing factors to this changing landscape. Table 1 on page S-2 summarizes trends from the last three biennial Single Audit periods.

*(continued on back)*

For the full report or more information, contact the Legislative Audit Division.

[leg.mt.gov/lad](http://leg.mt.gov/lad)

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Table 1  
**Trends in Administration of Federal Funds**

Two Fiscal Years Ended			
	June 30, 2019	June 30, 2021	June 30, 2023
Total Expenditures of Federal Awards	\$7,897,641,079	\$11,530,091,844	\$10,482,913,231
Major Program Threshold	\$22,059,532	\$30,000,000	\$29,897,061
Number of Major Programs	23	24	28
Number of Financial Statement Findings	4	7	11
Number of Federal Compliance Findings	36	69	79

**Source: Compiled by the Legislative Audit Division.**

Federal regulations stipulate the Single Audit be concluded within nine months of the end of the state's fiscal year. Montana currently completes a biennial Single Audit, indicating the audit should be concluded by March 31 of each even year. The increased workload associated with auditing additional federal programs and the number of audit findings, paired with delays in financial statement reporting, agency staff turnover, and competing priorities contributed to the Single Audit reports for the last two biennial Single Audit periods concluding after March 30, 2022, and 2024. For the prior Single Audit, the federal government extended the March 31, 2022, deadline, and we were able to conclude our work within the extended deadline. No such extension was granted for the current Single Audit period. We followed the specified process for notifying grantor agencies of this audit's anticipated delay. We expect no extensions in the future.

Federal audit regulations require the Single Audit to report whether each major federal program complied with selected federal requirements and to include information on known and likely questioned costs identified of more than \$25,000 for each program. We have identified and reported known questioned costs approximating \$94.7 million, with additional likely questioned costs exceeding \$25 million. Questioned costs are spread across many programs, as noted in Table 2 on the following page. The programs with the largest amounts of questioned costs are administered by the Office of Public Instruction and the Department of Public Health and Human Services. We are required to question costs that don't comply with applicable federal requirements, are not supported by adequate documentation at the time of audit or appear unreasonable, and do not reflect the actions a prudent person would take in similar circumstances. Grantor agencies determine whether to require repayment of questioned costs during the audit resolution process.

Federal audit regulations also define varying levels of internal control deficiencies and require us to report on significant deficiencies and material weaknesses in internal controls. Table 2 on the following page illustrates the programs we audited and the opinions we issued on them. Table 2 also provides information on the types of control deficiencies and known questioned costs we identified through our audit work.

For the current Single Audit period, we tested 28 federal programs and issued 90 recommendations to various state agencies and universities. Of those 90 findings, 79 were related to federal program administration. Thirty, or 38 percent, of those federal findings are associated with recommendations issued in the prior Single Audit report.



**Summary of Audit Results for Each Tested Federal Program  
For the Two Fiscal Years Ended June 30, 2023**

ALN	Program Name	Compliance Opinion Rendered	Control Deficiency(ies) Reported	Total Known Questioned Costs
10.542	Pandemic EBT	Unmodified	Significant Deficiency	N/A
10.551 & 10.561	SNAP Cluster	Qualified	Material Weaknesses & Significant Deficiency	\$162,079
10.553, 10.555, 10.556, 10.559, & 10.582	Child Nutrition Cluster	Qualified	Material Weakness	N/A
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Qualified	Material Weakness	N/A
14.195 & 14.856	Section 8 Project-Based Cluster	Qualified	Material Weaknesses	N/A
14.871 & 14.879	Housing Voucher Cluster	Qualified	Material Weaknesses	N/A
15.605, 15.611, & 15.626	Fish and Wildlife Cluster	Unmodified	N/A	N/A
17.225	Unemployment Insurance	Qualified	Material Weakness & Significant Deficiencies	N/A
20.205, 20.219, & 20.224	Highway Planning and Construction Cluster	Qualified	Material Weakness	N/A
20.509	Formula Grants for Rural Areas	Qualified	Material Weaknesses & Significant Deficiency	\$37,990
21.023	Emergency Rental Assistance Program	Qualified	Material Weakness	\$154,648
21.027	Coronavirus State and Local Fiscal Recovery Funds	Qualified	Material Weakness	N/A
84.010	Title I Grants to Local Educational Agencies	Adverse	Material Weaknesses	\$7,908,024
84.027, 84.027A, 84.027X, 84.173, 84.173A, & 84.173X	Special Education Cluster (IDEA)	Qualified	Material Weaknesses	N/A
84.371	Comprehensive Literacy Development	Adverse	Material Weaknesses	\$7,613,149
84.425	Education Stabilization Fund	Adverse	Material Weaknesses	\$52,036,619
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264, 93.342, 93.364, & 93.925	Student Financial Assistance Programs Cluster	Adverse	Material Weaknesses & Significant Deficiency	N/A
93.268	Immunization Cooperative Agreements	Qualified	Material Weakness & Significant Deficiency	N/A
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Qualified	Material Weaknesses & Significant Deficiency	\$3,357,450
93.423	1332 State Innovation Waivers	Qualified	Material Weakness & Significant Deficiencies	N/A
93.558	Temporary Assistance for Needy Families (TANF)	Qualified	Material Weaknesses & Significant Deficiency	\$26,090
93.575 & 93.596	CCDF Cluster	Adverse	Material Weaknesses & Significant Deficiencies	\$21,469,351
93.658	Foster Care - Title IV-E	Qualified	Material Weaknesses	\$23,593
93.659	Adoption Assistance - Title IV-E	Qualified	Material Weaknesses	\$3,644
93.767	Children's Health Insurance Program (CHIP)	Qualified	Material Weaknesses	\$93,217
93.775, 93.777, & 93.778	Medicaid Cluster	Qualified	Material Weaknesses	\$729,257
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Qualified	Material Weaknesses	N/A
Various	Research and Development Programs Cluster	Qualified	Material Weaknesses & Significant Deficiency	\$23,865

Indicates we also identified likely questioned costs for the program that are not included in the table.



# FY23 FINANCIAL SECTION



# FY23 FINANCIAL SECTION

## TABLE OF CONTENTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	A-1
Independent Auditor’s Report .....	A-5
Management’s Discussion and Analysis .....	A-9
Basic Financial Statements .....	A-20
Required Supplementary Information .....	A-164
Schedule of Expenditures of Federal Awards.....	A-195



# LEGISLATIVE AUDIT DIVISION

A-1

Angus Maciver, Legislative Auditor  
Kenneth E. Varns, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
William Soller  
Miki Cestnik

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the State of Montana's basic financial statements (BFS), and have issued our report thereon May 3, 2024. Our report includes a reference to other auditors who audited the financial statements of the component units of Montana State University and the University of Montana, and the Montana State Fund (MSF), and Montana Reinsurance Association (MRA) component units as described in our report on the State of Montana's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the component units of Montana State University and the University of Montana were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with these component units or that are reported separately by those auditors who audited the financial statements of the component units of Montana State University and the University of Montana.

### *Report on Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the State of Montana's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Montana's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below, that we consider to be a significant deficiency.

- ◆ The Department of Natural Resources and Conservation's (DNRC) internal controls over lease receivables and deferred inflows were not sufficient to prevent or detect and correct misstatements in the state's accounting records. This deficiency affects the Land Grant opinion unit. Approximately \$20 million in lease receivables and deferred inflow were understated in the state's accounting records at fiscal year-end. The amounts reported on the state's BFS are accurate, as a correction was made following our communication with DNRC.

#### *Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the State of Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The identified instance of noncompliance is described below:

- ◆ The Department of Administration's inability to provide timely drafts of the state's Basic Financial Statements contributed to the Legislative Audit Division missing the Single Audit deadline in March 2024. Continued noncompliance could affect the state's financial activity in the future if the federal government takes corrective action against the state. This is discussed in finding 2023-1.

#### *State of Montana's Response to Findings*

*Government Auditing Standards* requires the auditor to perform limited procedures on the State of Montana's response to the findings identified in our audit as described in finding 2023-1, and addressed in the Corrective Action Plan beginning on page D-1 of this report. The State of Montana's response was not subjected to the other auditing procedures applied in the audit of the financial schedules and, accordingly, we express no opinion on it.



*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Montana's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Montana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*/s/ Cindy Jorgenson*

Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

May 3, 2024



Angus Maciver, Legislative Auditor  
Kenneth E. Varns, Legal Counsel



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## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the State of Montana's basic financial statements as follows:

- ◆ Statement of Net Position
- ◆ Statement of Activities
- ◆ Balance Sheet-Governmental Funds
- ◆ Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position
- ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds
- ◆ Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds to the Statement of Activities
- ◆ Statement of Fund Net Position-Proprietary Funds
- ◆ Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds
- ◆ Statement of Cash Flows-Proprietary Funds
- ◆ Statement of Fiduciary Net Position-Fiduciary Funds
- ◆ Statement of Changes in Fiduciary Net Position-Fiduciary Funds.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Montana, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Montana State University (MSU) component units, the University of Montana (UM) component units, the Montana State Fund (MSF), or the Montana

Reinsurance Association (MRA) which represent 51.80 percent, 55.10 percent, and 25.41 percent, respectively of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2023. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts for the component units of MSU and UM, and the MSF and MRA component units, as noted above, is based solely on the reports of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Montana and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of MSU's component units and the UM's component units were not audited in accordance with *Government Auditing Standards*.

#### *Emphasis of Matter*

The fiscal year 2022 Annual Comprehensive Financial Report (ACFR) presented restrictions in Net Position for Other Purposes in the Statement of Net Position and Statement of Net Position – Proprietary Funds. Generally Accepted Accounting Standards require distinguishing between major categories of restrictions. The fiscal year 2023 ACFR now displays restrictions for Public Entity Risk Pools, which was previously reported as an Other Purpose, to comply with reporting a major category of restriction. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Montana's internal control. Accordingly, no such opinion is expressed.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Montana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Pension Plan Information, the Other Postemployment Benefits (OPEB) Plan Information, and the Risk Management Trend Information, and the related notes, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Montana's basic financial statements. The Schedule of Expenditures

of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2024, on our consideration of the State of Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Montana's internal control over financial reporting and compliance.

Respectfully submitted,

*/s/ Cindy Jorgenson*

Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

May 3, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

Management of the State of Montana (State) provides this *Management's Discussion and Analysis* of the State of Montana's basic financial statements included in the Annual Comprehensive Financial Report (ACFR). This is a narrative overview and analysis of the financial activities of the State of Montana for the fiscal year ended June 30, 2023. We encourage readers to consider this information in conjunction with the additional information that is furnished in the State's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

#### Government-wide

The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2023 by \$13.7 billion compared with \$12.7 billion at the end of fiscal year 2022, representing a 8.3% increase in net position. Component units reported net position of \$2.5 billion at the end of fiscal year 2023 compared to \$2.5 billion at the end of fiscal year 2022. More detail is provided in the financial statement overview below.

#### Fund Level

As of the close of fiscal year 2023, the State's governmental funds reported combined ending fund balances of \$7.5 billion compared with \$7.0 billion at fiscal year 2022. This represents a \$501.5 million (7.2%) increase in total fund balance. Of the 2023 balance, \$2.1 billion is not in spendable form, primarily as permanent fund principal. Thus, \$5.4 billion is available for spending. The fund balance in spendable form is segregated by constraint as follows: \$1.3 billion restricted, \$3.3 billion committed, \$26.7 million assigned, and \$812.5 million unassigned. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

The State's business-type activity funds reported net position at the close of fiscal year 2023 in the amount of \$731.6 million compared with fiscal year 2022 net position of \$683.6 million. Of the 2023 business-type activity net position, \$27.2 million was reported as net investment in capital assets. Net position of \$704.5 million was in spendable form with \$23.5 million unrestricted and \$681.0 million restricted to expenditure for a specific purpose. This represents a \$42.1 million (6.4%) increase in spendable net position from the fiscal year 2022 balance of \$662.3 million. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

#### Long-term Debt

The State's total governmental activity bonds and notes payable for governmental activities decreased by \$156.7 million, from \$163.2 million in fiscal year 2022 to \$6.5 million, a (96.0)% decrease in fiscal year 2023. The decrease is due largely to House Bill 251 passed during the 2023 Legislative session. This bill established a Debt and Liability Free account to pay off outstanding bonds, notes and other obligations, as well as forgo or reduce the amount of future general obligation bond issuances. It has been funded with transfers and interest revenues earned by the treasury cash account through fiscal year 2025. The balance in this account can be found within committed General Fund balances, discussed in Note 1, section R. Further detail relating to the State's long-term debt is provided in notes to the financial statement's Note 11.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Montana's basic financial statements. The State's basic financial statements include three components: (1) *government-wide financial statements*, (2) *fund financial statements*, and (3) *notes to the financial statements*. The report also contains additional required supplementary information, which includes budgetary schedules, pension and other post employment benefits plan information, and risk management trends. These components are described below:

## Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the State – the *government-wide financial statements* and the *fund financial statements*. These financial statements also include the *notes to the financial statements*, which provide further detail and information related to the balances of the financial statements.

## Government-wide Financial Statements

The *government-wide financial statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. In other words, they follow methods that are similar to those used by most businesses, including all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements: The *Statement of Net Position* and the *Statement of Activities*, as defined below.

The *Statement of Net Position* presents all of the government's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information related to the government's net position changes during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of state activities. These three types of activities are as follows:

*Governmental Activities* – Activities mostly supported by taxes and intergovernmental revenues, including federal grants. Most services normally associated with state government fall into this category, including education (support for both K-12 public schools and higher education), general government, health and human services, natural resources, public safety, and transportation.

*Business-type Activities* – Functions normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The major business-type activities of the State include the Unemployment Insurance Fund and the Municipal Finance Programs, which assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

*Discretely Presented Component Units* – Operations for which the State has financial accountability, but have certain independent qualities as well. In order to be considered component units, these entities must be legally separate to the extent that they may sue, or be sued, in their own right. For the most part, these entities operate similarly to private sector businesses and the business-type activities described above. The State's component units consist of one financing authority, one housing board, one nonprofit independent public corporation, one nonprofit association, and two universities.

## Fund Financial Statements - Reporting the State's Major Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



The fund financial statements focus on individual parts of the state government, reporting the State's operations in more detail than the government-wide statements. All of the funds can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted individually. The three categories of funds are as follows:

*Governmental Funds* – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

The State has five governmental funds that are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The State's five major governmental funds are the General Fund, the State Special Revenue Fund, the Federal Special Revenue Fund, the Coal Severance Tax Fund, and the Land Grant Fund.

*Proprietary Funds* – When the State charges customers for the service it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Like the government-wide statements, proprietary fund statements utilize full accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Whereas internal service funds report activities that provide supplies and services to the State's other programs and activities.

*Fiduciary Funds* – Resources held for the benefit of parties outside state government are accounted for in fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. Fiduciary fund statements use the full accrual basis of accounting.

### **Notes to the Financial Statements**

The *notes to the financial statements* provide additional information that is essential for a full understanding of the *government-wide* and the *fund financial statements*. The *notes to the financial statements* can be found immediately following the fiduciary fund financial statements.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information. This section contains a budgetary comparison schedule, which includes the reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund and major special revenue funds as presented in the governmental *fund financial statements*. Required supplementary information also includes pension and other post employment benefits plan information, as well as additional risk management trend data.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Montana's overall financial position increased from the last fiscal year, as reflected in the \$1.0 billion increase (8.3%) in net position. This improvement resulted from the continued growth, particularly in investment earnings revenue. Revenue is expected to remain consistent in fiscal year 2024, but expenditures are expected to increase significantly in the next biennium as the initiatives of the Legislative session come to fruition.

## Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (government and business-type activities) totaled \$13.7 billion at the end of fiscal year 2023. Net position of both governmental and business-type activities increased by \$1.0 billion (8.3%) and increased by \$48.0 million (7.0%), respectively. These changes are explained in detail in the Financial Analysis of the State's Major Funds section.

A portion of the State's net position reflects its investment in capital assets such as land, buildings, equipment, right to use lease assets, and infrastructure (roads, bridges, and other immovable assets) less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the State reported positive balances in all three categories of Net position, both for the primary government as a whole, and for its separate governmental and business-type activities.

**Net Position**  
**June 30, 2023**  
*(expressed in thousands)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>
Current and other assets	\$ 10,020,507	\$ 11,313,521	\$ 791,818	\$ 840,457	\$ 10,812,325	\$ 12,153,978
Capital assets	7,355,729	7,652,288	25,366	31,523	7,381,095	7,683,811
Total assets	17,376,236	18,965,809	817,184	871,980	18,193,420	19,837,789
Deferred outflows of resources	763,888	690,297	5,172	4,260	769,060	694,557
Long-term liabilities						
Due in more than one year	2,543,371	2,931,660	88,949	21,882	2,632,320	2,953,542
Other liabilities	2,231,649	2,776,145	43,717	118,713	2,275,366	2,894,858
Total liabilities	4,775,020	5,707,805	132,666	140,595	4,907,686	5,848,400
Deferred inflows of resources	1,397,841	979,992	6,087	4,029	1,403,928	984,021
Net investment in capital assets	7,094,224	7,445,044	21,284	27,162	7,115,508	7,472,206
Restricted	3,603,589	3,779,800	644,005	680,995	4,247,594	4,460,795
Unrestricted	1,269,450	1,743,465	18,314	23,459	1,287,764	1,766,924
Total net position	\$ 11,967,263	\$ 12,968,309	\$ 683,603	\$ 731,616	\$ 12,650,866	\$ 13,699,925

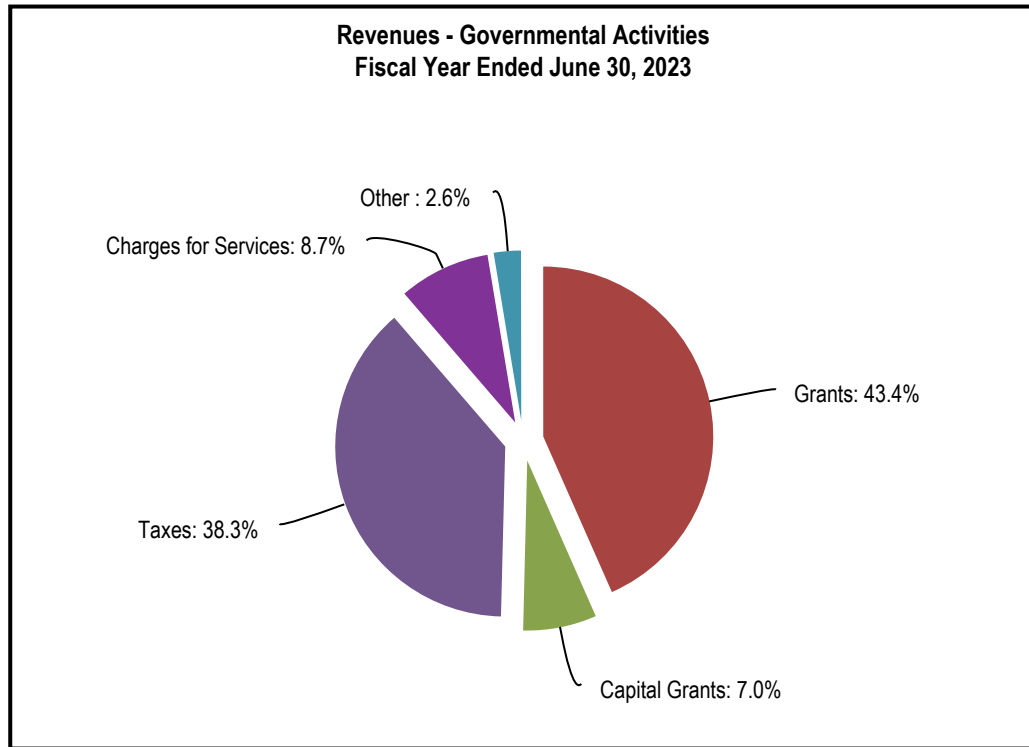
The following condensed financial information was derived from the government-wide Statement of Activities, and reflects how the State's net position changed during the fiscal year:

**Changes in Net Position**  
**For Fiscal Year Ended June 30, 2023**  
*(expressed in thousands)*

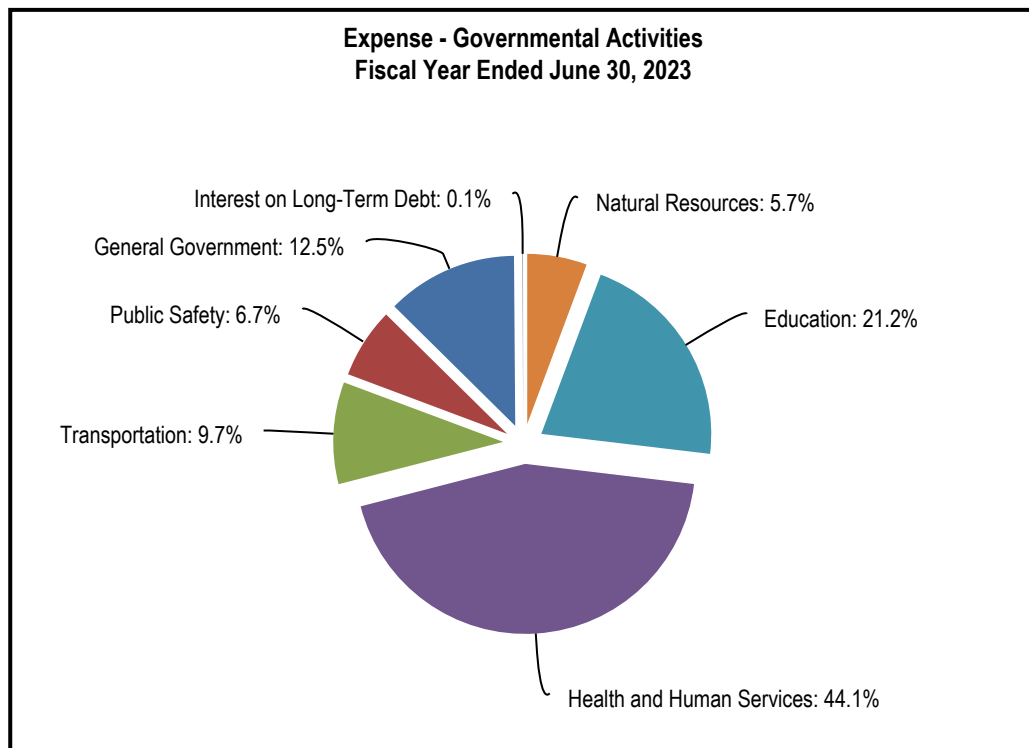
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2022	2023	2022	2023	2022	2023
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 737,036	\$ 774,053	\$ 540,409	\$ 596,678	\$ 1,277,445	\$ 1,370,731
Operating grants	3,658,290	3,880,301	68,639	76,202	3,726,929	3,956,503
Capital grants	479,184	626,115	873	756	480,057	626,871
General revenues						
Taxes	4,103,161	3,422,505	40,064	40,777	4,143,225	3,463,282
Other	40,766	234,898	27,345	9,475	68,111	244,373
Total revenues	<u>9,018,437</u>	<u>8,937,872</u>	<u>677,330</u>	<u>723,888</u>	<u>9,695,767</u>	<u>9,661,760</u>
<b>Expenses:</b>						
General government	970,869	995,815			970,869	995,815
Public safety	477,120	537,966			477,120	537,966
Transportation	699,407	778,571			699,407	778,571
Health and human service	3,383,554	3,533,017			3,383,554	3,533,017
Education	1,600,965	1,691,553			1,600,965	1,691,553
Natural resources	390,791	452,532			390,791	452,532
Interest on long-term debt	5,724	4,956			5,724	4,956
Unemployment Insurance			62,150	150,070	62,150	150,070
Liquor Stores			120,008	123,174	120,008	123,174
State Lottery			99,402	123,231	99,402	123,231
Municipal Finance Programs			853	2,157	853	2,157
Hail Insurance			943	1,451	943	1,451
Other Services			78,623	85,139	78,623	85,139
Prison Funds			7,523	7,589	7,523	7,589
MUS Group Insurance			120,522	118,521	120,522	118,521
MUS Workers Comp			1,401	2,627	1,401	2,627
Total expenses	<u>7,528,430</u>	<u>7,994,410</u>	<u>491,425</u>	<u>613,959</u>	<u>8,019,855</u>	<u>8,608,369</u>
Increase (decrease) in net position before transfers	1,490,007	943,462	185,905	109,929	1,675,912	1,053,391
Transfers	69,224	61,428	(69,224)	(61,428)	—	—
Change in net position	<u>1,559,231</u>	<u>1,004,890</u>	<u>116,681</u>	<u>48,501</u>	<u>1,675,912</u>	<u>1,053,391</u>
Net position, beg of year (as adjusted)	10,408,032	11,963,419	566,922	683,115	10,974,954	12,646,534
Net position, end of year	<u>\$ 11,967,263</u>	<u>\$ 12,968,309</u>	<u>\$ 683,603</u>	<u>\$ 731,616</u>	<u>\$ 12,650,866</u>	<u>\$ 13,699,925</u>

**Governmental Activities**

The following chart depicts revenues of the governmental activities for the fiscal year:

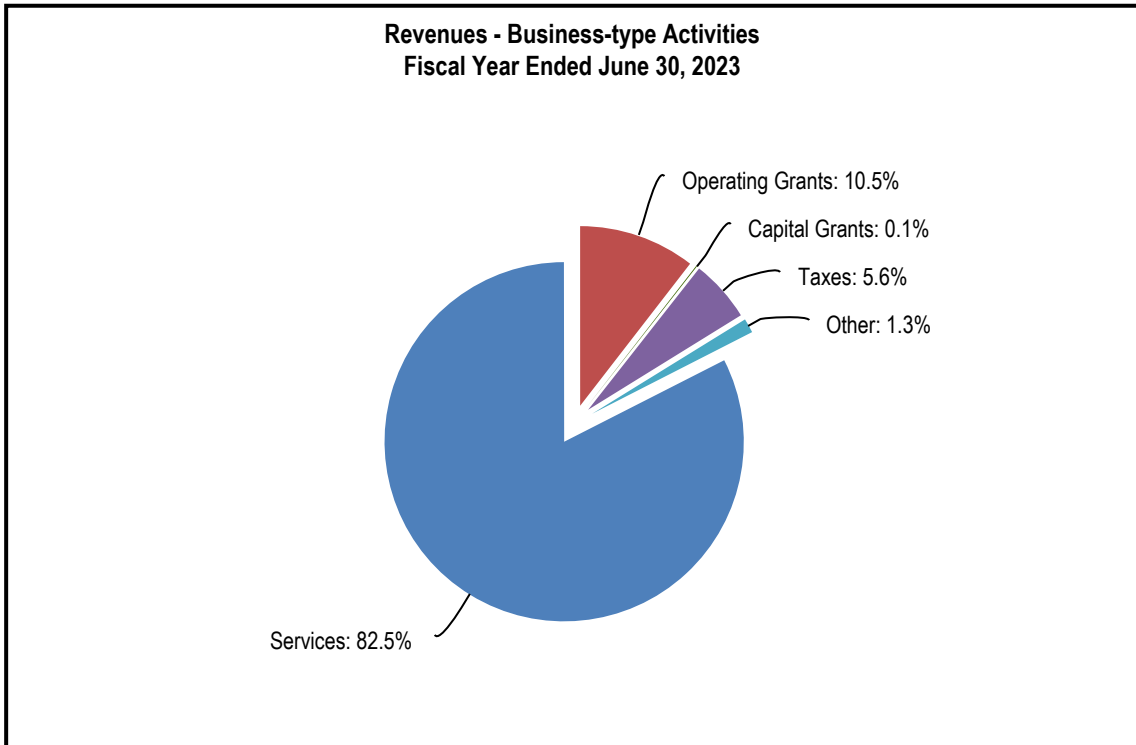


The following chart depicts expenses of the governmental activities for the fiscal year:

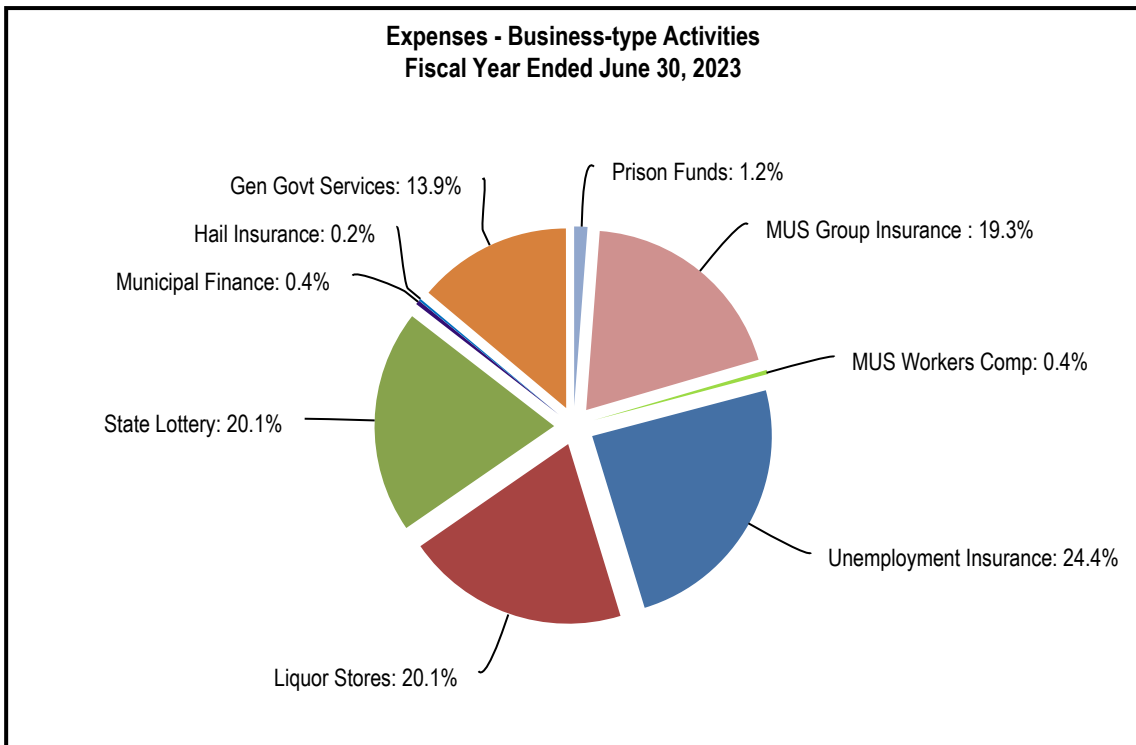


**Business-type Activities**

The following chart depicts revenues of the business-type activities for the fiscal year:



The following chart depicts expenses of the business-type activities for the fiscal year:



## FINANCIAL ANALYSIS OF THE STATE'S MAJOR FUNDS

As the State completed the year, its governmental funds reported fund balances of \$7.5 billion. Of this total, \$5.4 billion (71.9%) constitutes spendable fund balance and \$2.1 billion (28.1%) is classified as non-spendable. The analysis of the following major funds, providing the majority of the fund balance for the government, follows.

### General Fund Revenues and Expenditures

The General Fund is the chief operating fund of the State. For fiscal year 2023, the total fund balance of the General Fund was reported at approximately \$1.9 billion. Of this balance, \$57.4 million is non-spendable. The remaining balance is spendable with \$1.0 billion committed, \$22.2 million assigned, and \$812.6 million unassigned. This spendable fund balance of the General Fund represents 34.7% of the \$5.4 billion spendable governmental fund balances for all governmental funds. The assigned fund balance, \$22.2 million, represents outstanding encumbrances at the end of the fiscal year. The committed fund balance of \$1.0 billion relates to funding set aside by the Legislature for specific initiatives such as the budget stabilization reserve, property tax rebates, fire suppression funds, and more. For a full list of committed balances, see Note 1, section R. Further detail on the breakdown of fund balance for the General Fund is provided in Note 14 – Major Purpose Presentation.

Total fund balance decreased by \$72.9 million when compared to the previously reported fund balance of \$2.0 billion. Changes in both expenditures and revenues are discussed in detail below.

General Fund Revenues – Total General Fund revenues were \$3.0 billion for fiscal year 2023, an 18.2% decrease from the \$3.7 billion reported in 2022. Fiscal year 2023 tax revenue decreased by (22.9)% in total over 2022, with corporate income tax collections up 5.4% and individual income tax collections decreased by 26.0%. The decrease in tax revenue is due to the passage of House Bill 192, which provided a one-time income tax rebate based on the 2021 income tax levies. The rebate is accounted for as a reduction of income taxes received for 2023. These revenue decreases were offset against increased investment earnings and federal revenue continuing to be spent from ARPA awards.

General Fund Expenditures – Total General Fund expenditures for fiscal year 2023 increased by \$287.7 million (12.0%). The increase in expenditures is detailed by function as follows:

- General government expenditures increased by \$24.6 million (6.4%)
- Transportation expenditures increased by \$15.0 million (new in FY 2023)
- Health and human services expenditures increased by \$112.5 million (22.3%)
- Education expenditures increased by \$55.2 million (4.8%)
- Natural resources expenditure increased by \$25.2 million (65.4%)
- Public safety expenditures increased by \$44.1 million (13.7%)

During the 2023 Legislative session, funding was committed for specific initiatives (see additional discussion surrounding these committed balances in Note 1 section R). Of the increases in expenditures noted above, the following increases were due to these initiatives: health and human services \$56.2 million and transportation \$15.0 million. In addition, the Fire Suppression fund (natural resources) \$24.3 million was historically included in the State Special Revenue Fund, as discussed in Note 2.

The General Fund's actual revenues and expenditures in comparison to budgeted revenues and expenditures is provided in more depth on the Budgetary Comparison Schedule within the Required Supplementary Information section of this report. The same level of detail used to report the actual revenues and expenditures is not readily available for all budgetary revenues and expenditures, which may cause some variances.

### **General Fund Expenditure Budget Reversions**

Fund balances are not reserved for reverted appropriations. For fiscal year 2023, General Fund appropriations that reverted to 2024 were \$44.0 million, detailed as follows:

- The Department of Public Health and Human Services had unspent appropriations of \$1.9 million related to operational cost savings.
- The Department of Corrections had unspent appropriations of \$2.6 million related to restricted funds as a contingency for the county jail bed holds, information technology and for an adjustment for worker's comp reverted back to the General Fund.
- The Judicial Branch had unspent appropriations of \$2.4 million related to vacancy savings, operational costs, and benefits and claims.
- The Department of Revenue had unspent appropriations of \$2.3 million related to funds available to local governing bodies pursuant to Section 15-1-402 (6)(d), MCA, regarding protested property taxes, Section 15-1-120, MCA, regarding entitlement share payments, and other operational costs.
- The Office of the Governor had unspent appropriations of \$1.4 million related to vacancy savings and operational cost savings
- The Department of Military Affairs had unspent appropriations of \$1.1 million related to disasters that are still ongoing and operational cost savings.
- The Department of Administration had unspent appropriations of \$1.8 million related to statutory appropriations for supplemental transfers, debt service payments, and bank charges.
- The Legislative Branch had unspent appropriations of \$3.2 million related to vacancy savings and operational savings. Legislative Services Division will transfer the balance to the Legislative Branch Reserve account in accordance with Section 17-7-304(4)(b)(ii), MCA.
- The Office of Public Instruction had unspent appropriations of \$21.8 million due to temporary federal funding of schools and other operational savings.
- The Office of the Commissioner of Higher Education had unspent appropriations of \$1.2 million related to new space allocations for operations and maintenance. Additionally, \$508.0 thousand of unspent appropriations is related to a required reversion by the community colleges for not meeting enrollment projection funded through the community college funding formula. The remaining unspent appropriation is attributable to vacancy savings and operational costs.
- The remaining unspent appropriation of \$3.6 million was attributable to miscellaneous reversions across other agencies.

### **State Special Revenue Fund**

The fund balance of the State Special Revenue Fund increased by \$63.8 million to \$2.1 billion. Revenues increased by \$73.8 million (6.1%) and expenditures decreased \$4.2 million (0.3%), for fiscal year 2023. The largest increases in revenues are attributable to an increase in natural resource and other taxes, and licenses and permits. Other financing sources, such as bond issued, decreased due to a decrease in bonds as a result of the debt free initiative established during the 2023 legislative session. Other financing uses, such as transfers out of the State Special Revenue Fund to other governmental funds decreased. The increase in investment earning and federal indirect cost recovery into the State Special Revenue Fund resulted in an increase in fund balance.

### **Federal Special Revenue Fund**

The fund balance of the Federal Special Revenue Fund increased by \$82.2 million (325.4%) to the balance of \$57.0 million. The increase is attributable to more investment earnings and federal revenues received than expenses incurred. Revenues and expenditures increased by \$333.0 million (8.4%) and \$203.7 million (5.1%) respectively, for the fiscal year 2023. Revenue increases are attributable to increases in federal program revenue, and investment earnings. The expenditure increase is attributable to an increase in transportation, natural resources and capital outlay related expenditures.

### **Coal Severance Tax Permanent Fund**

The fund balance of the Coal Severance Tax Permanent Fund increased by \$21.9 million (1.8%) to \$1.2 billion. Revenue increased by \$34.0 million (205.1%) to \$50.6 million, primarily due to an increase of investment earnings.

### **Land Grant Permanent Fund**

The fund balance of the Land Grant Permanent Fund increased by \$55.4 million (6.3%) to \$929.3 million. Revenue increased by \$61.1 million to a total of \$131.7 million. The increase is primarily from income generated by investment earnings and leases/royalties/rentals.

The State's proprietary funds financial statements provided the same type of information found in the government-wide financial statements, but in more detail. As the State completed the year, the enterprise funds reported fund balances of \$731.6 million. Of this total, \$704.5 million (96.3%) constitutes spendable net position and \$27.2 million (3.7%) is classified as net investment in capital assets. The analysis of the following major enterprise funds, providing the majority of the net position for the business-type activities, follows.

### **Unemployment Insurance Enterprise Fund**

Net position restricted for unemployment compensation increased by \$23.1 million (4.4%). The increase in net position is attributable to higher unemployment premium revenue and investment earnings during the year.

### **Municipal Finance Programs Fund**

Net position increased by 4.0% to \$5.4 million in fiscal year 2023. Financing income revenue increased \$1.0 million, and investment earnings increased \$187.0 thousand, while expenses from interest expense increased \$1.1 million. Overall revenues and expenditures increased 106.8% and 153.0%, respectively, which resulted in an increase of \$211.0 thousand to net position.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2023, amounted to \$10.4 billion, with related accumulated depreciation of \$2.7 billion, leaving a net book value of \$7.7 billion. This investment in capital assets includes land, buildings, improvements, equipment, right to use lease assets, infrastructure, intangible assets, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was \$266.9 million or 3.6% in terms of net book value. Most increases in capital expenditures were seen in construction, or reconstruction, of roads and bridges. Additional information relating to the State's capital assets can be found in Note 5 of the notes to the financial statements.

### **Debt Administration**

Montana continues to receive excellent general obligation bond ratings from Moody's Investor Service (Aa1), Standard and Poor's Corporation (AA), and Fitch Ratings (AA+), which remain unchanged from 2022.

State debt may be authorized either by a two-thirds vote of the members of each house of the Legislature or by a favorable vote of a majority of the State's electors voting thereon. There is no constitutional limit on the amount of debt that may be incurred by the State. The Montana Constitution does, however, prohibit incurring debt to cover deficits caused by appropriations exceeding anticipated revenue.

The State's general obligation debt decreased from \$130.8 million on June 30, 2022, to none at June 30, 2023, due to the passage of House Bill 251 (discussed above).



The below table contains the ratio of general obligation debt and total State debt to personal income and to the amount of debt per capita:

	Amount <i>(in thousands)</i>	Percentage of Personal Income <sup>(1)</sup>	State Debt Per Capita <sup>(2)</sup>
General obligation debt	\$ —	—% \$	—
Total State debt <sup>(3)</sup>	\$ 158,342	0.30% \$	171

<sup>(1)</sup> Based on personal income for calendar year 2022.  
<sup>(2)</sup> Based on estimated 2022 Montana population.  
<sup>(3)</sup> Based on total of general obligation bonds, special revenue bonds, notes payable, and lease/financed purchase payable for the percentage and state debt per capita.

More detailed information regarding the State’s long-term obligations is provided in Note 11 of the notes to the financial statements and in the statistical tables.

**ECONOMIC CONDITION AND OUTLOOK**

The State was allocated \$2.0 billion from the American Rescue Plan Act (ARPA) during fiscal year 2021. The legislature has appropriated approximately \$1.8 billion and enacted laws to allow appropriations to continue into the 2025 biennium. The programs designated by the legislature for ARPA funding are infrastructure, communications, broadband, economic transformation and stabilization, workforce development, housing, and health. ARPA funds spent before June 30, 2023, totaled \$625.0 million. Since June 30, 2023, another \$290.0 million has been spent. The State plans to spend all funds received by June 30, 2026.

Montana’s primary economic base remains concentrated in service-providing industries. By share of real gross state product (GSP), the leisure and hospitality sector (14%), the trade, transportation, and utilities sector (19%), and the education and health services sector (16%) were Montana’s largest in 2023. Per the 2023 Labor Day Report issued by the Montana Department of Labor and Industry, Montana is experiencing a booming economy, with more Montanans working than ever. Businesses have continued to thrive, grow, and increase production in the face of worker shortages by increasing productivity and raising wages to attract workers. Montana's average annual wage recorded nominal growth of 6.2% in 2022, ranking the 4th fastest among states. Rapid economic expansion has brought prosperity, but fast growth creates additional pressure on an already constrained labor market. Tight labor markets will continue to challenge Montana's economic growth. A more in-depth analysis of the State’s overall financial position can be found in the transmittal letter of this report.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the State of Montana’s finances for all of Montana’s citizens, taxpayers, customers, investors, and creditors. The financial report seeks to demonstrate the State’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the State of Montana, Statewide Accounting Bureau, Room 255 Mitchell Building, PO Box 200102, Helena, MT 59620.

**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

(amounts expressed in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS</b>				
Cash/cash equivalents (Note 3)	\$ 6,081,154	\$ 714,132	\$ 6,795,286	\$ 676,253
Receivables, net (Note 4)	722,770	57,175	779,945	184,614
Due from primary government	—	—	—	2,327
Due from other governments	410,411	208	410,619	67,132
Due from component units	467	1,237	1,704	85
Internal balances	20,697	(20,697)	—	—
Inventories	37,794	7,229	45,023	4,642
Advances to component units	8,506	6,366	14,872	—
Long-term loans/notes/leases receivable (Note 4)	1,080,030	49,819	1,129,849	585,860
Equity in pooled investments (Note 3)	2,650,868	19,775	2,670,643	87,880
Investments (Note 3)	195,281	1,799	197,080	2,265,093
Securities lending collateral (Note 3)	38,692	288	38,980	13,718
Net pension asset (Note 6)	51,435	—	51,435	—
Other assets	15,416	3,126	18,542	23,788
Depreciable capital assets and infrastructure, net (Note 5)	5,108,935	18,354	5,127,289	977,486
Land and nondepreciable capital assets (Note 5)	2,543,353	13,169	2,556,522	168,448
Total assets	18,965,809	871,980	19,837,789	5,057,326
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 4)</b>	690,297	4,260	694,557	138,853
<b>LIABILITIES</b>				
Accounts payable (Note 4)	1,543,083	22,471	1,565,554	87,590
Lottery prizes payable	—	3,782	3,782	—
Due to primary government	—	—	—	1,704
Due to other governments	42,940	3	42,943	419
Due to component units	2,327	—	2,327	85
Due to pension trust funds	41,190	—	41,190	—
Advances from primary government	—	—	—	14,872
Unearned revenue	897,819	8,672	906,491	97,773
Amounts held in custody for others	60,917	104	61,021	17,717
Securities lending liability (Note 3)	38,692	288	38,980	13,718
Other liabilities	5,427	—	5,427	21,831
Short-term debt (Note 11)	—	68,707	68,707	—
Long-term liabilities (Note 11):				
Due within one year	143,750	14,686	158,436	244,246
Due in more than one year	392,123	7,960	400,083	1,835,870
Net pension liability (Note 6)	2,509,797	13,360	2,523,157	212,683
Total OPEB liability (Note 7)	29,740	562	30,302	38,651
Total liabilities	5,707,805	140,595	5,848,400	2,587,159
<b>DEFERRED INFLOWS OF RESOURCES (Note 4)</b>	979,992	4,029	984,021	108,765

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>NET POSITION</b>				
Net investment in capital assets	\$ 7,445,044	\$ 27,162	\$ 7,472,206	\$ 720,583
Restricted for:				
General government	28,584	—	28,584	—
Transportation	160,739	—	160,739	—
Health and human service	37,190	—	37,190	—
Natural resources	725,743	—	725,743	—
Public safety	170,445	—	170,445	—
Education	60,681	—	60,681	—
Funds held as permanent investments:				
Nonexpendable	2,025,175	—	2,025,175	552,364
Expendable	571,243	—	571,243	—
Unemployment compensation	—	546,974	546,974	—
Municipal Finance Programs	—	5,422	5,422	—
Public Entity Risk Pools	—	113,858	113,858	—
Montana Board of Housing	—	—	—	163,822
Other purposes (Note 1)	—	14,741	14,741	369,168
Unrestricted	1,743,465	23,459	1,766,924	694,318
<b>Total net position</b>	<b>\$ 12,968,309</b>	<b>\$ 731,616</b>	<b>\$ 13,699,925</b>	<b>\$ 2,500,255</b>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**  
*(amounts expressed in thousands)*

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 995,815	\$ 245,190	\$ 487,539	\$ 428	\$ (262,658)
Public safety	537,966	213,083	23,775	—	(301,108)
Transportation	778,571	34,835	76,094	607,679	(59,963)
Health and human services	3,533,017	24,993	2,715,451	230	(792,343)
Education	1,691,553	3,800	419,537	9,376	(1,258,840)
Natural resources	452,532	252,152	157,905	8,402	(34,073)
Interest on long-term debt	4,956	—	—	—	(4,956)
Total governmental activities	7,994,410	774,053	3,880,301	626,115	(2,713,941)
Business-type activities:					
Unemployment Insurance	150,070	157,937	15,329	—	23,196
Liquor Stores	123,174	149,090	—	—	25,916
State Lottery	123,232	147,852	—	—	24,620
Municipal Finance Programs	2,158	—	2,368	—	210
Hail Insurance	1,452	1,094	1,946	—	1,588
Other Service	85,142	30,511	53,068	756	(807)
Prison Funds	7,589	7,694	—	—	105
MUS <sup>1</sup> Group Insurance	118,520	102,500	3,072	—	(12,948)
MUS <sup>1</sup> Workers Compensation	2,628	—	420	—	(2,208)
Total business-type activities	613,965	596,678	76,203	756	59,672
Total primary government	\$ 8,608,375	\$ 1,370,731	\$ 3,956,504	\$ 626,871	\$ (2,654,269)
<b>Component units:</b>					
Montana Board of Housing	\$ 20,702	\$ 2,696	\$ 21,607	\$ —	\$ 3,601
Facility Finance Authority	779	714	320	—	255
Montana Reinsurance Association	44,827	—	29,756	—	(15,071)
Montana State Fund	201,148	168,470	—	—	(32,678)
Montana State University	743,632	333,176	330,565	554	(79,337)
University of Montana	525,910	190,602	193,423	1,032	(140,853)
Total component units	\$ 1,536,998	\$ 695,658	\$ 575,671	\$ 1,586	\$ (264,083)

<sup>1</sup>Montana University System

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Changes in net position:				
Net (expense) revenue	\$ (2,713,941)	\$ 59,672	\$ (2,654,269)	\$ (264,083)
General revenues:				
Taxes:				
Property	185,366	—	185,366	—
Fuel	281,739	—	281,739	—
Natural resource	283,550	—	283,550	—
Individual income	1,818,220	—	1,818,220	—
Corporate income	310,751	—	310,751	—
Other (Note 1)	542,879	40,777	583,656	—
Unrestricted grants and contributions	370	280	650	—
Settlements	33,121	—	33,121	—
Unrestricted investment earnings (losses)	183,551	547	184,098	(98,854)
Payment from primary government	—	—	—	279,418
Gain on sale of capital assets	4,880	258	5,138	99
Gain (loss) on debt extinguishment	3,579	—	3,579	—
Miscellaneous	9,397	8,390	17,787	1,426
Contributions to term and permanent endowments	—	—	—	72,987
Transfers between primary government	61,428	(61,428)	—	—
Total general revenues, contributions, and transfers	3,718,831	(11,176)	3,707,655	255,076
Change in net position	1,004,890	48,496	1,053,386	(9,007)
Total net position - July 1 - as previously reported	11,967,263	683,603	12,650,866	2,509,658
Adjustments to beginning net position (Note 2)	(3,844)	(483)	(4,327)	(396)
Total net position - July 1 - as adjusted	11,963,419	683,120	12,646,539	2,509,262
Total net position - June 30	\$ 12,968,309	\$ 731,616	\$ 13,699,925	\$ 2,500,255

The notes to the financial statements are an integral part of this statement.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 JUNE 30, 2023  
 (amounts expressed in thousands)

	<b>SPECIAL REVENUE</b>		
	<b>GENERAL</b>	<b>STATE</b>	<b>FEDERAL</b>
<b>ASSETS</b>			
Cash/cash equivalents (Note 3)	\$ 2,653,456	\$ 1,294,971	\$ 922,105
Receivables (net)	428,174	132,481	111,757
Interfund loans receivable (Note 12)	127,340	114,230	—
Due from other governments	12,522	4,753	393,129
Due from other funds (Note 12)	55,499	9,869	26,544
Due from component units	—	330	—
Inventories	6,526	23,190	—
Equity in pooled investments (Note 3)	—	351,468	—
Long-term loans/notes/leases receivable (Note 4)	—	521,557	58,086
Advances to other funds (Note 12)	49,872	1,029	—
Advances to component units	—	1,332	—
Investments (Note 3)	11,881	3,458	—
Securities lending collateral (Note 3)	—	5,130	—
Other assets	2,829	10,346	196
Total assets	<u>\$ 3,348,099</u>	<u>\$ 2,474,144</u>	<u>\$ 1,511,817</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,133,001	\$ 148,502	\$ 231,103
Interfund loans payable (Note 12)	—	4,611	224,897
Due to other governments	1,181	37,970	3,789
Due to other funds (Note 12)	26,217	28,749	10,650
Due to component units	41,230	272	2,014
Advances from other funds (Note 12)	—	3,823	48,222
Unearned revenue	356	19,279	877,428
Amounts held in custody for others	9,762	46,300	2,002
Securities lending liability (Note 3)	—	5,130	—
Other liabilities	—	411	—
Total liabilities	<u>1,211,747</u>	<u>295,047</u>	<u>1,400,105</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	<u>212,659</u>	<u>43,369</u>	<u>54,743</u>
Fund balances (Note 14):			
Nonspendable	57,419	24,203	91
Restricted	—	1,222,174	27,672
Committed	1,031,495	885,926	29,206
Assigned	22,206	3,425	—
Unassigned	812,573	—	—
Total fund balances	<u>1,923,693</u>	<u>2,135,728</u>	<u>56,969</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,348,099</u>	<u>\$ 2,474,144</u>	<u>\$ 1,511,817</u>

The notes to the financial statements are an integral part of this statement.

PERMANENT				
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL	
\$ 70,174	\$ 52,692	\$ 769,937	\$ 5,763,335	
15,381	8,448	11,736	707,977	
—	—	1,000	242,570	
—	—	—	410,404	
—	—	10,413	102,325	
119	—	17	466	
—	—	—	29,716	
971,063	876,511	414,771	2,613,813	
—	482,029	18,358	1,080,030	
—	—	3,823	54,724	
7,130	—	43	8,505	
177,693	—	—	193,032	
14,174	12,793	6,055	38,152	
—	62	12	13,445	
<u>\$ 1,255,734</u>	<u>\$ 1,432,535</u>	<u>\$ 1,236,165</u>	<u>\$ 11,258,494</u>	
\$ —	\$ —	\$ 12,228	\$ 1,524,834	
1,567	5	10,235	241,315	
—	—	—	42,940	
—	—	4	65,620	
—	—	—	43,516	
—	—	193	52,238	
—	—	—	897,063	
—	2,520	—	60,584	
14,174	12,793	6,055	38,152	
—	—	—	411	
<u>15,741</u>	<u>15,318</u>	<u>28,715</u>	<u>2,966,673</u>	
<u>1,821</u>	<u>487,875</u>	<u>903</u>	<u>801,370</u>	
679,723	929,342	414,271	2,105,049	
—	—	27,377	1,277,223	
558,449	—	763,882	3,268,958	
—	—	1,114	26,745	
—	—	(97)	812,476	
<u>1,238,172</u>	<u>929,342</u>	<u>1,206,547</u>	<u>7,490,451</u>	
<u>\$ 1,255,734</u>	<u>\$ 1,432,535</u>	<u>\$ 1,236,165</u>	<u>\$ 11,258,494</u>	

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

JUNE 30, 2023

*(amounts expressed in thousands)*

Total fund balances - governmental funds	\$	7,490,451
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds (Note 5):		
Depreciable capital assets and infrastructure, net	\$	5,108,935
Land and nondepreciable capital assets	<u>2,543,353</u>	7,652,288
Deferred outflows of resources represent a consumption of net assets that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds.		690,297
Other assets not available in the current period and therefore are not reported in the governmental funds:		
Net pension asset		51,435
Long-term receivables		55
Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position, excluding internal service funds' capital assets, deferred outflows of resources, deferred inflows of resources and long-term liabilities reported in specific areas.		351,650
Other liabilities that are not due and payable in the current period and are not reported in the governmental funds.		(13,835)
A portion of deferred inflows of resources represents an acquisition of net assets that will be recognized as an inflow of resources in a future period, which differs than that reported in the governmental funds.		(178,622)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds (Note 11):		
Other long-term liabilities	(535,873)	
Net pension liability	(2,509,797)	
Total OPEB liability	<u>(29,740)</u>	<u>(3,075,410)</u>
Total net position - governmental activities	<u>\$</u>	<u>12,968,309</u>

*The notes to the financial statements are an integral part of this statement.*



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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
 (amounts expressed in thousands)

	SPECIAL REVENUE		
	GENERAL	STATE	FEDERAL
<b>REVENUES (Note 14)</b>			
Licenses/permits	\$ 155,003	\$ 329,007	\$ —
Taxes:			
Natural resource	115,793	113,647	—
Individual income	1,759,856	—	—
Corporate income	308,829	14	—
Property	162,176	23,189	—
Fuel	—	281,739	—
Other	294,299	235,064	—
Charges for services/fines/forfeits/settlements	27,457	113,097	9,435
Investment earnings (losses)	121,851	27,755	31,700
Securities lending income	193	201	—
Sale of documents/merchandise/property	291	12,193	—
Rentals/leases/royalties	37	1,463	—
Contributions/premiums	130	38,705	—
Grants/contracts/donations	17,469	28,028	170
Federal	31,372	11,024	4,169,856
Federal indirect cost recoveries	380	61,419	97,446
Other revenues	92	7,210	2,071
Total revenues	<u>2,995,228</u>	<u>1,283,755</u>	<u>4,310,678</u>
<b>EXPENDITURES</b>			
Current:			
General government	408,047	241,158	246,764
Public safety	365,312	117,101	22,106
Transportation	15,000	261,563	172,532
Health and human services	616,588	247,492	2,682,775
Education	1,195,410	98,226	402,060
Natural resources	63,697	212,721	172,875
Debt service:			
Principal retirement	11,568	9,219	6,171
Interest/fiscal charges	1,533	1,248	484
Capital outlay	12,312	111,829	464,523
Securities lending	96	141	—
Total expenditures	<u>2,689,563</u>	<u>1,300,698</u>	<u>4,170,290</u>
Excess of revenue over (under) expenditures	<u>305,665</u>	<u>(16,943)</u>	<u>140,388</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Inception of right-to-use and financed purchase payables	6,773	13,706	5,468
Insurance proceeds	52	45	13
General capital asset sale proceeds	209	362	—
Energy conservation loans	—	218	—
Transfers in (Note 12)	135,610	184,164	3,278
Transfers out (Note 12)	(589,743)	(66,333)	(48,094)
Total other financing sources (uses)	<u>(447,099)</u>	<u>132,162</u>	<u>(39,335)</u>
Net change in fund balances	<u>(141,434)</u>	<u>115,219</u>	<u>101,053</u>
Fund balances - July 1 - as previously reported	1,996,619	2,071,929	(25,275)
Adjustments to beginning fund balance (Note 2)	69,127	(50,913)	(18,809)
Fund balances - July 1 - as adjusted	<u>2,065,746</u>	<u>2,021,016</u>	<u>(44,084)</u>
Increase (decrease) in inventories	(619)	(507)	—
Fund balances - June 30	<u>\$ 1,923,693</u>	<u>\$ 2,135,728</u>	<u>\$ 56,969</u>

The notes to the financial statements are an integral part of this statement.

PERMANENT							
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL				
\$	—	\$	2,212	\$	—	\$	486,222
	41,254		—		12,141		282,835
	—		—		—		1,759,856
	—		—		—		308,843
	—		—		—		185,365
	—		—		—		281,739
	—		—		12,287		541,650
	—		—		12,108		162,097
	8,772		6,939		34,231		231,248
	535		483		223		1,635
	—		17,260		—		29,744
	—		104,774		—		106,274
	—		—		—		38,835
	—		65		—		45,732
	—		—		—		4,212,252
	—		—		—		159,245
	—		—		—		9,373
	50,561		131,733		70,990		8,842,945
	—		—		249		896,218
	—		—		1,192		505,711
	—		—		—		449,095
	—		—		1,676		3,548,531
	—		—		9		1,695,705
	—		4,834		—		454,127
	—		—		150,920		177,878
	—		—		4,781		8,046
	—		—		85,605		674,269
	376		340		158		1,111
	376		5,174		244,590		8,410,691
	50,185		126,559		(173,600)		432,254
	—		—		—		25,947
	—		—		—		110
	—		4,352		8		4,931
	—		—		—		218
	640		102		549,166		872,960
	(29,014)		(75,611)		(26,202)		(834,997)
	(28,374)		(71,157)		522,972		69,169
	21,811		55,402		349,372		501,423
	1,216,307		873,939		855,410		6,988,929
	54		1		1,765		1,225
	1,216,361		873,940		857,175		6,990,154
	—		—		—		(1,126)
\$	1,238,172	\$	929,342	\$	1,206,547	\$	7,490,451

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

*(amounts expressed in thousands)*

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Net change in fund balances - total governmental funds	\$	501,423
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Amounts reported for governmental activities in the Statement of Activities are different due to:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense over the useful life of the capital asset. Capital outlays exceeded depreciation expense in the current year by the following amount (Note 5):

Capital outlay	\$	674,269	
Depreciation expense and amortization		<u>(317,509)</u>	356,760

Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities, but only proceeds from sales are reported in the governmental funds.	6,697
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Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	82,142
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. Internal service funds are reported separately from governmental funds in the fund financial statements. In the government-wide statements, internal service funds are included with governmental activities.	42,316
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease items reported in the Statement of Net Position.	<u>15,552</u>
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Change in net position - governmental activities	<u>\$</u>	<u>1,004,890</u>
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*The notes to the financial statements are an integral part of this statement.*

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
 JUNE 30, 2023  
 (amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	ACTIVITIES - INTERNAL SERVICE FUNDS
<b>ASSETS</b>					
Current assets:					
Cash/cash equivalents (Note 3)	\$ 537,433	\$ 5,786	\$ 170,913	\$ 714,132	\$ 317,819
Receivables, net (Note 4)	5,571	7,826	43,778	57,175	14,739
Interfund loans receivable (Note 12)	—	—	545	545	12
Due from other governments	208	—	—	208	7
Due from other funds (Note 12)	—	2,026	428	2,454	54
Due from component units	—	1,237	—	1,237	—
Inventories	—	—	7,229	7,229	8,080
Securities lending collateral (Note 3)	—	—	288	288	541
Other current assets	—	—	1,719	1,719	1,971
Total current assets	543,212	16,875	224,900	784,987	343,223
Noncurrent assets:					
Advances to other funds (Note 12)	—	9,236	—	9,236	—
Advances to component units	—	6,366	—	6,366	—
Long-term investments (Note 3)	—	—	21,574	21,574	39,304
Long-term notes/loans receivable (Note 4)	6,416	43,340	63	49,819	—
Other long-term assets	—	—	1,407	1,407	—
Capital assets (Note 5):					
Land	—	—	800	800	—
Land improvements	—	—	3,830	3,830	95
Buildings/improvements	—	—	16,393	16,393	6,069
Equipment	—	—	10,375	10,375	288,792
Infrastructure	—	—	1,175	1,175	—
Construction work in progress	—	—	8,721	8,721	10,897
Intangible/right to use assets, net	—	—	7,113	7,113	7,264
Other capital assets	—	—	3,648	3,648	—
Less accumulated depreciation	—	—	(20,532)	(20,532)	(197,855)
Total capital assets	—	—	31,523	31,523	115,262
Total noncurrent assets	6,416	58,942	54,567	119,925	154,566
Total assets	549,628	75,817	279,467	904,912	497,789
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	—	98	4,162	4,260	14,739

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

JUNE 30, 2023

(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	ACTIVITIES - INTERNAL SERVICE FUNDS
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable (Note 4)	2,654	1,277	18,540	22,471	18,033
Lottery prizes payable	—	—	2,826	2,826	—
Interfund loans payable (Note 12)	—	—	555	555	1,257
Due to other governments	—	—	3	3	—
Due to other funds (Note 12)	—	—	28,754	28,754	1,854
Unearned revenue	—	—	8,672	8,672	759
Right to use/financed purchase payable (Note 10)	—	—	770	770	1,927
Short-term debt (Note 11)	—	68,707	—	68,707	—
Bonds/notes payable - net (Note 11)	—	—	—	—	334
Amounts held in custody for others	—	—	104	104	333
Securities lending liability (Note 3)	—	—	288	288	541
Estimated insurance claims (Note 8)	—	—	12,778	12,778	24,589
Compensated absences payable (Note 11)	—	43	1,095	1,138	4,453
Total current liabilities	2,654	70,027	74,385	147,066	54,080
Noncurrent liabilities:					
Lottery prizes payable	—	—	956	956	—
Advances from other funds (Note 12)	—	—	3,623	3,623	8,099
Right to use/financed purchase payable (Note 10)	—	—	3,466	3,466	7,078
Bonds/notes payable - net (Note 11)	—	—	—	—	—
Estimated insurance claims (Note 8)	—	—	3,195	3,195	16,993
Compensated absences payable (Note 11)	—	23	1,276	1,299	4,384
Net pension liability (Note 6)	—	349	13,011	13,360	57,237
Total OPEB liability (Note 7)	—	9	553	562	1,809
Total noncurrent liabilities	—	381	26,080	26,461	95,600
Total liabilities	2,654	70,408	100,465	173,527	149,680
<b>DEFERRED INFLOWS OF RESOURCES (Note 4)</b>	—	72	3,957	4,029	14,683
<b>NET POSITION</b>					
Net investment in capital assets	—	—	27,162	27,162	96,428
Restricted for:					
Unemployment compensation	546,974	—	—	546,974	—
Municipal Finance Programs	—	5,422	—	5,422	—
Public Entity Risk Pools	—	—	113,858	113,858	—
Other purposes	—	—	14,741	14,741	—
Unrestricted	—	13	23,446	23,459	251,737
Total net position	\$ 546,974	\$ 5,435	\$ 179,207	\$ 731,616	\$ 348,165

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
<b>Operating revenues:</b>					
Charges for services	\$ 183	\$ —	\$ 321,388	\$ 321,571	\$ 189,338
Investment earnings (losses)	8,809	205	4,629	13,643	8,901
Securities lending income	—	—	11	11	20
Financing income	—	2,163	—	2,163	—
Contributions/premiums	157,754	—	116,125	273,879	219,603
Grants/contracts/donations	6,427	—	54,256	60,683	4,392
Other operating revenues	93	—	9,620	9,713	20,359
Total operating revenues	173,266	2,368	506,029	681,663	442,613
<b>Operating expenses:</b>					
Personal services	—	479	18,739	19,218	74,528
Contractual services	—	26	31,278	31,304	48,921
Supplies/materials	—	6	126,410	126,416	30,327
Benefits/claims	106,627	—	173,381	280,008	186,580
Depreciation	—	—	1,122	1,122	12,877
Amortization	—	—	3,446	3,446	1,763
Utilities/rent	—	40	967	1,007	6,217
Communications	—	3	1,465	1,468	17,235
Travel	—	1	300	301	419
Repairs/maintenance	—	—	2,002	2,002	39,332
Grants	—	—	—	—	322
Lottery prize payments	—	—	100,400	100,400	—
Securities lending expense	—	—	8	8	14
Interest expense	—	1,534	101	1,635	543
Other operating expenses	43,443	69	2,980	46,492	6,399
Total operating expenses	150,070	2,158	462,599	614,827	425,477
Operating income (loss)	23,196	210	43,430	66,836	17,136
<b>Nonoperating revenues (expenses):</b>					
Tax revenues (Note 1)	—	—	40,777	40,777	—
Grant revenue	280	—	—	280	—
Insurance proceeds	—	—	—	—	255
Gain (loss) on sale of capital assets	—	—	268	268	46
Capital contribution expense	—	—	(92)	(92)	(18,252)
Federal indirect cost recoveries	—	—	159	159	8,207
Increase (decrease) value of livestock	—	—	848	848	—
Total nonoperating revenues (expenses)	280	—	41,960	42,240	(9,744)
Income (loss) before contributions and transfers	23,476	210	85,390	109,076	7,392
Capital contributions	—	—	11,190	11,190	1,119
Transfers in (Note 12)	—	—	18,709	18,709	34,224
Transfers out (Note 12)	—	—	(90,479)	(90,479)	(417)
Change in net position	23,476	210	24,810	48,496	42,318
Total net position - July 1 - as previously reported	523,827	5,225	154,551	683,603	306,369
Adjustments to beginning net position (Note 2)	(329)	—	(154)	(483)	(522)
Total net position - July 1 - as adjusted	523,498	5,225	154,397	683,120	305,847
Total net position - June 30	\$ 546,974	\$ 5,435	\$ 179,207	\$ 731,616	\$ 348,165

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
 (amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipt from sales and service	\$ 158,534	\$ —	\$ 435,838	\$ 594,372	\$ 408,673
Payments to suppliers for goods and services	—	(142)	(163,595)	(163,737)	(145,523)
Payments to employees	—	(455)	(18,416)	(18,871)	(72,263)
Grant receipts (expenses)	6,097	—	54,111	60,208	4,258
Cash payments for claims	(104,860)	—	(171,980)	(276,840)	(204,965)
Cash payments for prizes	—	—	(101,003)	(101,003)	—
Other operating revenues	93	—	9,620	9,713	28,197
Other operating payments	—	—	(2,769)	(2,769)	(6,399)
Net cash provided by (used for) operating activities	59,864	(597)	41,806	101,073	11,978
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Collection of taxes	—	—	40,776	40,776	—
Transfer to other funds	—	—	(86,551)	(86,551)	(18,567)
Transfer from other funds	—	—	27,146	27,146	34,225
Proceeds from interfund loans/advances	—	—	2,354	2,354	4,379
Payment of interfund loans and advances	—	—	(566)	(566)	(2,600)
Payment of principal and interest on bonds and notes	—	(464)	(32)	(496)	(302)
Grant receipts and Federal indirect cost recoverable	280	—	159	439	—
Net cash provided by (used for) noncapital financing activities	280	(464)	(16,714)	(16,898)	17,135
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from insurance	—	—	—	—	255
Payment of principal and interest - capital related	—	—	(682)	(682)	(3,576)
Acquisition of capital assets	—	—	(639)	(639)	(16,954)
Proceeds from sale of capital assets	—	—	24	24	222
Net cash provided by (used for) capital and related financing activities	—	—	(1,297)	(1,297)	(20,053)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sale (purchase) of investments	—	—	(2,967)	(2,967)	251
Proceeds (loss) from securities lending transactions/ investments	—	—	12	12	20
Interest and dividends on investments	8,809	205	4,828	13,842	9,313
Payment of securities lending costs	—	—	(8)	(8)	(14)
Collections of principal and interest on loans	—	21,311	—	21,311	—
Cash payment for loans	—	(19,600)	—	(19,600)	—
Net cash provided by (used for) investing activities	8,809	1,916	1,865	12,590	9,570
Net increase (decrease) in cash and cash equivalents	68,953	855	25,660	95,468	18,630
Cash and cash equivalents, July 1	468,480	4,931	145,253	618,664	299,189
Cash and cash equivalents, June 30	\$ 537,433	\$ 5,786	\$ 170,913	\$ 714,132	\$ 317,819

The notes to the financial statements are an integral part of this statement.



**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 23,196	\$ 210	\$ 43,496	\$ 66,902	\$ 17,136
<b>Adjustments to reconcile operating income to net cash provided for (used for) operating activities:</b>					
Depreciation	—	—	1,122	1,122	12,877
Amortization	—	—	3,446	3,446	1,763
Securities lending expense	—	—	8	8	14
Investment earnings	(8,809)	(205)	(4,629)	(13,643)	(8,901)
Securities lending income	—	—	(11)	(11)	(20)
Financing income	—	(2,163)	—	(2,163)	—
Interest expense	—	1,534	101	1,635	543
Other revenue	(330)	—	—	(330)	8,205
Arbitrage rebate tax	—	—	—	—	—
<b>Change in assets, deferred outflows, liabilities and deferred inflows:</b>					
Decr (Incr) in accounts receivable	47,970	—	(1,886)	46,084	(983)
Decr (Incr) in due from other funds	—	—	1,062	1,062	351
Decr (Incr) in due from other governments	—	—	17	17	188
Decr (Incr) in inventories	—	—	1,119	1,119	(1,595)
Decr (Incr) in other assets	—	—	(1,367)	(1,367)	1,292
Incr (Decr) in accounts payable	(2,163)	—	309	(1,854)	(325)
Incr (Decr) in due to other funds	—	—	(528)	(528)	106
Incr (Decr) in due to other governments	—	—	(352)	(352)	—
Incr (Decr) in lottery prizes payable	—	—	(603)	(603)	—
Incr (Decr) in unearned revenue	—	—	(1,251)	(1,251)	(107)
Incr (Decr) in amounts held in custody for others	—	—	—	—	(72)
Incr (Decr) in compensated absences payable	—	(3)	134	131	473
Incr (Decr) in total OPEB liability and related accounts	—	3	(1,168)	(1,165)	(5,473)
Incr (Decr) in estimated claims	—	—	1,474	1,474	(20,480)
Incr (Decr) in other payables	—	(2)	1	(1)	—
Incr (Decr) in net pension liability and related accounts	—	29	1,312	1,341	6,986
Net cash provided by (used for) operating activities	\$ 59,864	\$ (597)	\$ 41,806	\$ 101,073	\$ 11,978
<b>Schedule of noncash transactions:</b>					
Capital asset acquisitions from contributed capital	\$ —	\$ —	\$ 11,190	\$ 11,190	\$ 1,119
Incr (Decr) in fair value of investments	—	—	545	545	1,085
Increase in short term debt	—	68,707	—	68,707	—
Decrease in long term debt	—	(68,707)	—	(68,707)	—
Total noncash transactions	\$ —	\$ —	\$ 11,735	\$ 11,735	\$ 2,204

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 JUNE 30, 2023  
 (amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
<b>ASSETS</b>				
Cash/cash equivalents (Note 3)	\$ 182,002	\$ 26,162	\$ 1,831,457	\$ 10,645
Receivables (net):				
Accounts receivable	29,297	—	—	2,757
Interest	740	—	8,094	8
Due from primary government	41,190	—	—	—
Due from other PERB plans	888	—	—	—
Long-term loans/notes receivable	4	—	—	—
Total receivables	<u>72,119</u>	<u>—</u>	<u>8,094</u>	<u>2,765</u>
Investments at fair value:				
Equity in pooled investments (Note 3)	13,977,460	—	11,846	—
Other investments (Note 3)	1,039,161	200,494	—	—
Total investments	<u>15,016,621</u>	<u>200,494</u>	<u>11,846</u>	<u>—</u>
Securities lending collateral (Note 3)	143,783	—	173	—
Capital Assets:				
Buildings/improvements	315	—	—	—
Equipment	305	—	—	—
Accumulated depreciation	(266)	—	—	—
Right to use lease buildings	7,660	—	—	—
Accumulated amortization	(1,024)	—	—	—
Intangible assets	1,821	—	—	—
Total capital assets	<u>8,811</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other assets	—	8,545	—	2,024
Total assets	<u>15,423,336</u>	<u>235,201</u>	<u>1,851,570</u>	<u>15,434</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>866</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>LIABILITIES</b>				
Accounts payable	1,075	4	8,055	3,880
Due to other governments	—	—	—	2,397
Due to other PERB plans	888	—	—	—
Unearned revenue	19	—	—	—
Securities lending liability (Note 3)	143,783	—	173	—
Compensated absences payable	826	—	—	—
Due to primary government - leases (Note 10)	6,948	—	—	—
Net pension liability (Note 6)	1,886	—	—	—
Total OPEB liability (Note 7)	182	—	—	—
Total liabilities	<u>155,607</u>	<u>4</u>	<u>8,228</u>	<u>6,277</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>913</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>NET POSITION</b>				
Restricted for:				
Pensions	14,642,032	—	—	—
Postemployment benefits other than pensions	625,650	—	—	—
Pool participants	—	—	1,843,342	—
Individuals, organizations, and other governments	—	235,197	—	9,157
Total net position	<u>\$ 15,267,682</u>	<u>\$ 235,197</u>	<u>\$ 1,843,342</u>	<u>\$ 9,157</u>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
 (amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
<b>ADDITIONS</b>				
Contributions/premiums:				
Employer	\$ 313,625	\$ —	\$ —	\$ —
Employee	283,727	—	—	—
Other contributions	131,558	22,010	1,631,764	—
Investment earnings:				
Net increase (decrease) in fair value of investments	1,268,567	9,461	571	1
Interest, dividends, and other	32,392	—	66,714	66
Securities lending income	7,695	—	7	—
Total investment earnings	1,308,654	9,461	67,292	67
Less investment costs:				
Administrative investment expense	80,500	—	—	—
Securities lending expense	4,677	—	5	—
Net investment earnings	1,223,477	9,461	67,287	67
Charges for services	550	—	—	—
Other additions and miscellaneous	1,467	6,489	—	142,669
Total additions	1,954,404	37,960	1,699,051	142,736
<b>DEDUCTIONS</b>				
Benefits	1,168,621	—	—	—
Refunds	29,780	—	—	—
Distributions	—	28,680	1,678,309	144,649
Administrative expenses	14,028	851	—	—
Local assistance	12	—	—	—
Transfers to MUS-RP	329	—	—	—
Transfers to PERS-DCRP	2,181	—	—	—
Total deductions	1,214,951	29,531	1,678,309	144,649
Change in net position	739,453	8,429	20,742	(1,913)
Net position - July 1 - as previously reported	14,527,085	226,768	1,822,600	11,070
Adjustments to beginning net position (Note 2)	1,144	—	—	—
Net position - July 1 - as adjusted	14,528,229	226,768	1,822,600	11,070
Net position - June 30	\$ 15,267,682	\$ 235,197	\$ 1,843,342	\$ 9,157

The notes to the financial statements are an integral part of this statement.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the State of Montana (State) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

#### A. Reporting Entity

For financial reporting purposes, the State includes funds that comprise the primary government and its component units. The component units are entities that the State is financially accountable for, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body, and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

#### Discretely Presented Component Units

These component units are entities that are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The condensed financial statements, presented in Note 18, include the financial data of the entities listed below.

Complete financial statements for each of the individual discretely presented component units, which are separately issued and audited, may be obtained at the following addresses:

Montana Board of Housing  
301 South Park, Room 240  
PO Box 200528  
Helena, MT 59620-0528

Montana State Fund  
855 Front Street  
PO Box 4759  
Helena, MT 59604-4759

Facility Finance Authority  
2401 Colonial Drive, 3<sup>rd</sup> Floor  
PO Box 200506  
Helena, MT 59620-0506

Universities and Colleges  
Commissioner of Higher Education  
560 North Park Ave, 4<sup>th</sup> Floor  
PO Box 203201  
Helena, MT 59620-3201

Montana Reinsurance Association  
Montana Commissioner of Securities and Insurance  
840 Helena Avenue  
Helena, MT 59601

Montana Board of Housing (MBOH) – MBOH, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget, the rate or fee changes affecting revenues, and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of MBOH. The board was created in 1975 to facilitate the availability of safe and affordable housing to persons and families of lower-income. MBOH issues negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$1.5 billion. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. MBOH is attached to the Department of Commerce for administrative purposes only. MBOH is audited annually by the State's Legislative Audit Division.

Facility Finance Authority (FFA) – FFA, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget, the rate or fee changes affecting revenues, and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of FFA. FFA assists eligible, nonprofit Montana health care and other community-based service providers to obtain and maintain access to the broadest range of low-cost capital financing as possible. FFA issues revenue bonds to fulfill its purposes. Neither the faith and credit or taxing power of the State of Montana may be pledged for the amounts so issued. FFA is also the administrator for Montana's Commercial Property Assessed Capital Enhancement Program (C-PACE) which provides Montana businesses with access to private capital to finance energy and water efficiency and renewable energy improvements. FFA is attached to the Department of Commerce for administrative purposes only. Individual financial reports are issued every two years and are audited by the State's Legislative Audit Division.

Montana State Fund (MSF) – MSF is a nonprofit, independent public corporation established under Title 39, Chapter 71 of the Montana Code Annotated (MCA). MSF provides Montana employers with an option for workers' compensation and occupational disease insurance and guarantees available coverage for all employers in Montana. MSF is governed by a seven-member Board of Directors appointed by the Governor with the advice and consent of the Senate. This Board has full power, authority, and jurisdiction in the administration of MSF. MSF's results are included in the State's Annual Comprehensive Financial Report because of the significance of MSF's financial relationship with the State. MSF's board is allocated to the Department of Administration for administrative purposes only. MSF is reported on a calendar year basis and is audited annually by an independent auditor, contracted by the Legislative Audit Division. MSF is also regulated by the Montana State Auditor's Office as an authorized insurer that is subject to the provisions of Title 33, Montana Insurance Code.

MSF functions as an autonomous insurance entity supported solely from its own revenues. All assets, debts, and obligations of MSF are separate and distinct from assets, debts, and obligations of the State of Montana. If MSF is dissolved by an act of law, the assets held by MSF are subject to the disposition provided by the Legislature enacting the dissolution with due regard given to obligations incurred and existing (Section 39-71-2322, MCA).

MSF administers the claims of Montana State Fund and State of Montana (Old Fund), including determining who a claimant is; what, if any, claims will be paid; and the amount of claims allowed to be paid. Old Fund covers workers' compensation claims that were incurred before July 1, 1990, and is reported within the governmental activities of the primary government, on the government-wide financial statements.

Universities and Colleges – The Montana Constitution, Article X, Section 9, grants governance authority over the Montana University System (MUS) to the Board of Regents (Board), with seven members appointed by the Governor and confirmed by the Senate. All state funds appropriated by the Legislature to the Board for the support of the MUS are channeled through the Office of the Commissioner of Higher Education (OCHE). The Constitution charges the Board with hiring a Commissioner of Higher Education who serves as its executive staff. OCHE is the state-level administrative organization of the MUS.

The Board has responsibility for the following institutions: Montana State University - Bozeman and the units under it including Montana State University - Billings, Montana State University - Northern, and Great Falls College Montana State University; and University of Montana - Missoula and the units under it including Montana Technological University, University of Montana - Western, and Helena College University of Montana. All units are funded through state appropriations, tuition, federal grants, and private donations and grants. The universities are audited annually by the State's Legislative Audit Division.

Though the following organizations perform functions related to the MUS, they are not considered part of Montana's reporting entity: (1) Community Colleges which are considered part of local units of government; (2) the Montana Higher Education Student Assistance Corporation, a private nonprofit corporation; and (3) the Student Assistance Foundation of Montana, a private nonprofit corporation.

Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The state and federal support of local public education systems is reported in the General Fund, the State Special Revenue Fund, and the Federal Special Revenue Fund.

Montana Reinsurance Association (MRA) – In April 2019, the State of Montana enacted the Montana Reinsurance Association Act (Act) establishing MRA as a nonprofit, legal entity and creating a reinsurance program to stabilize the individual health insurance market. The Act authorized the State to apply for a State Innovation Waiver under Section 1332 of the Patient Protection and Affordable Care Act (ACA). The Act is established under Title 33, Chapter 22, Part 13 of the Montana Code Annotated (MCA).

On June 19, 2019, the State applied for an Innovation Waiver under Section 1332 seeking to implement a reinsurance program. On August 16, 2019, the United States Departments of Health and Human Services and Treasury approved Montana's State Innovation Waiver, effective from January 1, 2020, through December 31, 2024.

The Reinsurance Program is funded through federal pass-through funding (awarded on an annual basis) and annual association member assessments (1.2% of a member insurer's total premium volume covering Montana residents from the prior calendar year, as defined in Section 33-22-1313, MCA).

MRA is governed by a five-member board consisting of three directors, one each from the eligible health insurers with the largest enrollment in the individual market, one insurer director appointed by the Commissioner of Insurance, and one director appointed by the Governor.

MRA's financial results are included in the State's Annual Comprehensive Financial Report because of the significance of MRA's financial relationship with the State. The Commissioner of Insurance is responsible for overseeing the activities of the MRA and the board. MRA reports on a calendar year basis, must be audited by an independent certified public accountant annually, and may be audited by the State's Legislative Audit Division.

#### **Fiduciary Fund Component Units**

Complete financial statements for each of the individual fiduciary fund component units may be obtained at the following addresses:

Teachers' Retirement System  
100 North Park Avenue, Suite 110  
PO Box 200139  
Helena, MT 59620-0139

Public Employees' Retirement Board  
100 North Park Avenue, Suite 200  
PO Box 200131  
Helena, MT 59620-0131

Teachers' Retirement System (Pension Trust Fund) – This retirement plan is a legally separate entity with a board appointed by the Governor. Its purpose is to provide retirement, disability, death, and lump-sum payments to benefit recipients of Montana's public teaching profession. The plan is funded from employer and employee contributions, investment earnings, and the State's General Fund. The benefit payments and administrative costs of the Teachers' Retirement System are paid from the same funding sources. The system is audited annually by the State's Legislative Audit Division. Further detail related to the Teachers' Retirement System is provided in Note 6.

Public Employees' Retirement Board (Pension and Other Employee Benefit Trust Funds) – The Public Employees' Retirement Board (PERB) is appointed by the Governor and administers nine retirement plans for the purpose of providing retirement, disability, death, and lump-sum payments to plan members. These legally separate plans include the Public Employees' Retirement Plan – Defined Benefit and Defined Contribution and the associated education funds; the Judges'; the Highway Patrol Officers'; the Sheriffs'; the Game Wardens' and Peace Officers'; the Municipal Police Officers'; the Firefighters' Unified Retirement Systems; and the Volunteer Firefighters' Compensation Act retirement plans. The board also administers one Other Post-Employment Benefit (PERS-DCRP Disability OPEB) disability plan on behalf of Public Employees' Retirement Plan-Defined Contribution members, and one other employee benefit

plan (457(b) Plan). The board is audited annually by the State's Legislative Audit Division. Further detail related to PERB is provided in Note 6 and its OPEB plan information in Section F of Note 7.

### **Related Organizations**

The Montana Opioid Abatement Trust (Trust) – The Trust was established in Aug 2022 in accordance with a memorandum of understanding created as part of a consent judgement ordered by the court. The Trust is responsible for managing the State's share of funds received from the multi-state settlement with pharmaceutical companies related to the opioid epidemic and will be used to support opioid remediation efforts in Montana. The Trust is not included in the basic financial statements. Although the State appoints a voting majority of the Board of Trustees, the State cannot impose its' will on the Trust and no financial burden or benefit relationship exists between the Trust and the State. A copy of their financial statements can be obtained by contacting the Trust at [www.montanaopioid.org](http://www.montanaopioid.org) or the following address:

Montana Opioid Abatement Trust  
115 N. Broadway, Ste. 310  
Billings, MT 59101

## **B. Government-wide and Fund Financial Statements**

The government-wide financial statements, Statement of Net Position and Statement of Activities, report information on all of the non-fiduciary activities of the State of Montana and its component units. For the most part, the impact of interfund activity has been removed from these statements. Governmental activities, which are normally supported by fees, taxes, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the State of Montana is reported separately from certain legally separate component units for which the State is financially accountable.

The Statement of Activities demonstrates the degree to which program revenues offset the direct expenses of a function. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expense reported for the individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues. The State does not allocate indirect expenses to functions in the Statement of Activities.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Fiduciary fund activity is only reported in the fund financial statements.

## **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

### **Government-wide, Proprietary, and Fiduciary Fund Financial Statements**

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned; expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider are met.

As a general rule, material interfund revenues and expenses have been eliminated from the government-wide financial statements. These have not been eliminated where their elimination would distort the direct costs and program revenues of the functions involved.

### **Governmental Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are realizable,

measurable, earned, and available. Revenue is considered realizable when it is probable the amount will be collected. Revenue is considered measurable and realizable if the precise amount is known because the transaction is completed, or if there is enough information to provide a reasonable estimate of the net realizable revenue to be received. Revenue is considered to have been earned when the exchange of goods or services has taken place. Revenue is considered to be available if it is collectible within the current period or soon enough thereafter, to pay liabilities of the current period. For this purpose, the State considers revenue available if it is expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures relating to compensated absences, claims, and judgments are recorded only when payment is due.

The major revenue sources considered susceptible to accrual are licenses and permits, natural resource taxes, individual income taxes, corporate income taxes, property taxes, fuel taxes, and certain federal revenues (reimbursable grants and U.S. mineral royalties). All other revenue is considered to be measurable and available when the cash is received.

### **Fund Financial Statements**

The State uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State of Montana are classified into fund categories as described below:

### **Governmental Funds**

General Fund – To account for all governmental financial resources, except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes other than major capital projects. (1) The State Special Revenue Fund accounts for activities funded from state resources used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. (2) The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

Several funds are defined in statute as Permanent Funds, however per GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), these funds should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a \$96.4 million increase. One specific fund is defined in statute as a Federal Special Revenue Fund; however, per GASB 54, this fund should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a \$27.3 million increase. Several funds are defined in statute as State Special Revenue Funds, however per GASB 54, these funds should be reported with the General Fund. The effect on fund balance is detailed in section R below.

Debt Service Funds – To account for resources accumulated for payment of principal and interest on general long-term obligation debt.

Capital Projects Funds – To account for resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Permanent Funds – To account for resources that are permanently restricted to the extent that only earnings, not principal, may be used to support the government's programs. Several funds are defined in statute as Permanent Funds, however per GASB 54 these funds should be reported within the State Special Revenue Fund as noted above.

### **Proprietary Funds**



Enterprise Funds – To account for operations: (1) financed and operated similar to private business enterprises, where the intent of the Legislature is to finance or recover costs primarily through user charges; (2) where the Legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate; (3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (4) when laws or regulations require that the activities' costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. The primary focus of fee revenues charged by enterprise funds is users outside of the primary government. One specific fund is defined in statute as an Enterprise Fund, however, per GASB 34, this fund should be reported within Internal Service Funds. The respective effect on net position is approximately a \$6.4 million increase.

Internal Service Funds – To account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

The State of Montana reports two employee group benefits funds. The MUS Group Insurance Fund primarily charges its fees to Montana State University and the University of Montana. The universities are reported as discretely presented component units, which the State considers to be external users, and as such, reports the MUS Group Insurance Fund as an enterprise fund. The Employee Group Benefits Fund charges its fees to funds of the primary government, and as such, is reported as an internal service fund.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, or other governments. These assets cannot be used to support the government's own programs.

Pension (and Other Employee Benefit) Trust Funds – To account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit retirement plans, defined contribution retirement plans, other employee benefit plans, and other post-employment benefit plan. Plan members receive retirement, disability, death, and lump-sum payments from the fund. Further detail related to the individual plans is provided in Note 6 and Section F of Note 7.

Private-Purpose Trust Funds – To account for assets held by the State in a trustee capacity, where both the principal and earnings benefit individuals, private organizations, or other governments. For example, unliquidated security bonds held on deposit from self-insured employers.

Investment Trust Fund – To account for the receipt of monies and the distribution of related investment earnings to local government agencies by the Montana Board of Investments for investment in the Short Term Investment Pool (STIP) and Trust Funds Investment Pool (TFIP).

Custodial Funds – To account for transactions related to assets held by the State as an agent for individuals, private organizations, and other governments. For example, monies belonging to one parent submitted by another, as is the case with child support payments.

### **Major Governmental Funds**

The General Fund is the State's primary operating fund, as previously defined.

The State Special Revenue Fund accounts for activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

The Coal Severance Tax Fund, created by Article IX, Section 5 of the Montana State Constitution, receives 50% of all coal tax collections. The principal in this fund can be expended only upon an affirmative vote of three-fourths of each house of the Legislature.

The Land Grant Permanent Fund accounts for lands granted to the State for support of public schools and state institutions.

### **Major Enterprise Funds**

The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients.

The Board of Investments (BOI) Municipal Finance Programs Fund accounts for the programs created under the Municipal Finance Consolidation Act (MFCA) and the Economic Development Act. Primarily, this involves a MFCA revolving loan program that provides variable low interest rate loans to eligible Montana State agencies, universities, and local governments for a variety of projects statutorily defined. The funding for the revolving loan program is from the issuance of put bonds. The MFCA program also provides local government entities access to tax-exempt funds through the issuance of conduit debt. Separately issued financial statements may be obtained by contacting the Montana Board of Investments, 2401 Colonial Drive, 3<sup>rd</sup> Floor, PO Box 200126, Helena, MT 59620-0126.

## **D. Proprietary Activity Accounting and Financial Reporting**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating.

## **E. Cash/Cash Equivalents**

For all funds, cash and cash equivalents consist of amounts deposited in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool (STIP), cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents, which are short-term, highly liquid investments with original maturities of three months or less. Further detail related to cash and cash equivalents is provided in Note 3.

## **F. Receivables**

This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided; short-term loans and notes; interest and dividends; taxes due within 60 days of fiscal year-end; leases; and income, withholding, and inheritance taxes that are past due. An allowance for uncollectible receivables are provided based on historical analysis.

For the State as lessor at the commencement of the lease term, on the government-wide and fund financial statements, a lease receivable is recorded at the present value of lease payments expected to be received during the lease term; and a deferred inflow of resources is recorded at the sum of the value of the lease receivable and any payments received at or before the commencement of the lease term that relate to future periods. If the undiscounted value of payments that may be received from the lessee are less than \$100.0 thousand, lease accounting is not required and payments are treated as inflows of resources. Further detail related to lease receivables is provided in Note 4 and Note 10.

## **G. Inventories**

Inventories of materials and supplies are reported at cost. The State allows agencies to use any generally accepted inventory pricing method but specifies the first-in, first-out method generally to be appropriate for most agencies. Governmental funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end, inventory balances are shown as nonspendable, indicating they do not constitute available expendable resources. Proprietary and fiduciary funds report using the "consumption method," meaning inventories are expensed as used.

## H. Equity in Pooled Investments

To account for equity in pooled investments, BOI uses one internal investment pool and one external investment pool. The internal investment pool is the Consolidated Asset Pension Pool (CAPP). The State's nine defined benefit pension trust funds are the only participants in CAPP. The external investment pool is the Trust Funds Investment Pool (TFIP). State agencies and qualifying local governments can participate in TFIP. State agency TFIP participation includes: enterprise funds, internal service funds, permanent funds, investment trust funds, Montana University System Units, and specific accounts established within the State and Federal Special Revenue Funds. The participant investments in the pools are reported at fair value in the assets within the individual funds. Further detail related to cash and cash equivalents and investments is provided in Note 3.

## I. Investments

For agencies whose investment needs are not met by BOI's established investment pools, BOI may provide separate investments, which may be combined and reported as Separately Managed Accounts (SMA). SMA participants have direct fixed income, equity, Montana mortgage, and loan investments. SMA investments are reported at fair value. Certain securities including asset-backed securities, variable-rate instruments, zero-coupon bonds, preferred stocks, and mortgage-backed securities are purchased for portfolio diversification and a competitive rate of return. Other State agencies, on a limited basis by statute, may administer other long-term investments. Most investments are reported at fair value on the Statement of Net Position. Further detail related to investments is provided in Note 3.

## J. Capital Assets

Capital asset valuation is based on actual historical cost or, in the case of donations, acquisition value. General government infrastructure capital assets are capitalized and reported on the government-wide financial statements. Interest incurred during the construction of capital assets is expensed. Infrastructure assets of proprietary funds are capitalized on the fund financial statements. The State has chosen to use the depreciation approach for infrastructure assets.

Intangible right-to-use lease and subscription-based information technology arrangements (SBITA) assets are valued at the present value of payments expected to be made during the term of the agreement (lease/subscription liability), plus certain direct costs, lease payments made to the lessor at or before the commencement of the term, and capitalizable implementation costs less any incentives received from the vendor at or before the commencement of the term.

The State reports accumulated depreciation and amortization on the Statement of Net Position and depreciation and amortization expense on the Statement of Activities for these assets.

Capital assets in proprietary, private-purpose trust and pension trust funds are accounted for within their respective funds and are depreciated or amortized on their fund financial statements. Capital assets in governmental funds are accounted for in the governmental activities of the government-wide financial statements, as are the associated depreciation and amortization.

Capital asset depreciation is on a straight-line basis, with estimated useful lives of 25 to 60 years for buildings, 10 to 50 years for infrastructure, 7 to 20 years for building improvements, and 3 to 10 years for equipment. State agencies must also extend or shorten the useful lives of capital assets to reflect their experience or industry standards when appropriate. Amortization is on a straight-line basis with estimated useful lives of 4 years for software (internally and externally generated), 30 years for land use rights, and 20 years for other intangibles. Leased and SBITA right-to-use assets are amortized on a straight-line basis using the shorter of the lease/ subscription term or the useful life of the underlying asset.

The capitalization threshold for buildings and building/land improvements is \$25.0 thousand. The capitalization threshold for infrastructure and internally generated software is \$500.0 thousand. The capitalization threshold for intangible and right-to-use lease and SBITA assets is \$100.0 thousand. The

capitalization limit for other capital assets is \$5.0 thousand. Agencies are allowed to capitalize additions to collections and land acquisitions at any cost. Purchases below these thresholds and leases and SBITAs with maximum possible terms of 12 months or less at commencement, are recorded as outflows of resources in the current period. Further detail relating to capital assets is provided in Note 5.

#### **K. Deferred Outflows, Deferred Inflows, and Unearned Revenue**

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Deferred outflows and inflows of resources may include financial transactions related to refunding debt, non-exchange transactions, derivative investments, and OPEB, and pension related components; and are reported on the government-wide, proprietary fund, and fiduciary fund financial statements. Additionally, deferred inflows of resources may include financial transactions related to unavailable revenue on the governmental fund financial statements. Unavailable revenue is reported when assets are recognized, but those assets are not considered available to pay liabilities of the current period. Unearned revenue, which is neither a deferred outflow of resources nor a deferred inflow of resources; is recognized as a liability on government-wide, governmental, and proprietary fund financial statements. Further detail related to deferred outflows of resources and deferred inflows of resources is provided in Note 4.

#### **L. Long-term Obligations**

Long-term obligations expected to be financed from governmental funds are reported on the government-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from current expendable available financial resources is reported as a fund liability of a governmental fund on the fund financial statements. The remaining portion of such obligations is reported on the government-wide financial statements. Long-term liabilities expected to be financed from proprietary and fiduciary fund operations are accounted for in those funds. Further detail related to leases, subscription based information technology agreements, financed purchases payable, and long-term liabilities is provided in Note 10 and Note 11, respectively.

#### **M. Right-To-Use Liabilities**

Leases and Subscription-Based Information Technology Arrangements (SBITAs) are contracts that convey control of the right to use another entity's nonfinancial asset (leases) or Information Technology hardware and software, alone or in combination with tangible capital assets for a period of time in an exchange or exchange-like transaction.

The State, as lessee/subscriber, at the commencement of the term, records a liability at the present value of payments expected to be made during the term of the agreement on the government-wide, proprietary fund, and fiduciary fund financial statements. The commencement of the term for leases is stipulated in the contract, and for SBITAs, it is when the software is implemented.

Certain payments are evaluated to determine if they should be included in the measurement of the lease or subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments. The State monitors changes in circumstances that may require remeasurement of a lease or subscription liability.

On the governmental fund financial statements, no right-to-use liability is recorded. Governmental funds instead record capital outlay expenditures and other financing sources at the commencement of an arrangement, at net present value of the expected payments during the term. If the undiscounted value of the payments plus certain direct costs and lease payments made to the lessor at or before the commencement of the arrangement is less than \$100.0 thousand, or the maximum possible term is 12

months or less, right-to-use liabilities are not recorded, and payments are treated as outflows of resources.

The State uses an estimated incremental borrowing rate as the discount rate for leases and SBITAs, unless the rate is explicitly stated in the contract or known. The incremental borrowing rate is the rate for the Montana Board of Investments INTERCAP loan program in effect on July 1 of the fiscal year the agreement commences. Many agreements include increases to rent/subscription payments related to the consumer price index (CPI) or similar indices, and the available index increase is included in the present value at the commencement of the agreement or upon remeasurement. Further detail related to leases and subscription arrangements is provided in Note 10 and Note 11.

#### **N. Financed Purchases**

A financed purchase is a contract that transfers ownership of an underlying asset to the purchaser by the end of the contract and does not contain termination options. Provisions that end a contract for the following reasons are not considered termination options: Payment of all sums due, default on payments, or a fiscal funding or cancellation clause that is not reasonably certain of being exercised. If the contract does contain a termination option, it should be considered a lease and should be accounted for in accordance with the State's lease policies. The threshold for recording a financed purchase is the threshold for recording the asset type associated with a financed purchase. Further detail related to financed purchases is provided in Note 10.

#### **O. Bond Discounts/Premiums/Issuance Costs**

Bond premiums and discounts, as well as issuance costs, are recognized in the period they are incurred. Bond issued and bond premiums are reported as other financing sources, and bond discounts are reported as an other financing use. Issuance costs are reported as debt service expenditures whether or not they are withheld from the bond proceeds. Bonds payable are recorded net of any applicable premium or discount. Further detail related to long-term debt is provided in Note 11.

#### **P. Compensated Absences**

Full-time state employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Teachers employed by the State do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Each contribution year, an employee may contribute a maximum of 80 hours of sick or annual leave to a nonrefundable sick leave pool. Excess annual leave that is being forfeited can also be contributed, with no maximum contribution. For fiscal year 2023, 2,658 sick leave hours, 278 annual leave hours, and 2,804 excess annual leave hours were contributed to the sick leave pool, and 6,998 hours were withdrawn, leaving a balance of 17,724 hours in the pool. The liability associated with the pool is not reported in the accompanying financial statements because these hours are nonrefundable to contributors, except by grants approved through an application process.

Vested or accumulated leave for proprietary and fiduciary funds is recorded as an expense and liability of those funds in the fund financial statements. For governmental funds, the liability is not expected to be liquidated with expendable financial resources. The expenditure and liability for the governmental funds is reported only on the government-wide financial statements. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave. Further detail related to compensated absences is provided in Note 11.

#### **Q. Nonexchange Financial Guarantee**

According to GASB Statement No. 70 *Accounting and Financial Reporting For Nonexchange Financial Guarantees* (GASB 70), governments may extend financial guarantees for the obligations of another government, a not-for profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee,

a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Further detail related to nonexchange financial guarantees is provided in Note 11.

## **R. Fund Balance/Net Position**

### **Fund Balance**

The classifications for fund balance used for governmental funds are reported in two general classifications, nonspendable and spendable. Nonspendable represents the portion of fund balance that is legally or contractually required to remain intact or is not in spendable form such as inventories, and, in the General Fund, long-term notes and loans receivable. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the State Constitution or external parties, such as the federal government, or through enabling legislation. For the purpose of determining restricted amounts, enabling legislation does not include commitments resulting from State legislation if these constraints can be removed or changed by a similar legislative action.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the State's Legislature, through legislation passed into law.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes. Still they do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by the executive branch. In governmental funds other than the General Fund, assigned fund balance also represents the remaining amount that is not restricted or committed. The assigned fund balance for the General Fund may include encumbrances or assignments for the portion of current General Fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows in fiscal years as needed.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The State generally segregates restricted, committed, and assigned resources by account (sub-fund) within the governmental funds other than the General Fund. When resources meeting more than one of these spendable classifications are commingled in an account on the State's accounting system, the assumed order of spending is restricted first, committed second, and finally assigned. State statute requires non-General Fund money be spent first whenever possible so any related available unassigned balance would be spent last.

### **General Fund - Fund Balance**

Several funds are defined in statute as State Special Revenue funds, but they do not meet the GASB 54 requirements to be a State Special Revenue Fund as the Legislature prescribed. For financial reporting purposes, these funds are combined with the General Fund. Most of these funds have balances that have been set aside for specific purposes by the Legislature through statutory provisions and are included in the committed fund balance within the General Fund.

The June 30, 2023, committed fund balance in the General Fund is shown below:

Purpose	Committed Fund Balance (in thousands)	
Budget Stabilization Reserve	\$	495,904
Fire Suppression Fund		191,012
Behavioral Health System for Future Generations		70,000
Montana Surplus Tax Rebates		21,278
Emergency Shelter Facilities Grants		5,000
Capitol Complex Legislative Branch		25,000
Debt and Liability Free		112,865
Capitol Complex Executive Branch		25,000
Medicaid 24-7 Facility Contingency		291
Securing Access to Federal Expenditures to Repair (SAFER) Montana Roads		85,145
Total	\$	<u>1,031,495</u>

The Budget Stabilization Reserve Fund has additional statutory provisions governing use. Section 17-7-140, MCA provides the minimum ending fund balance and specifies the procedures that must be followed to make expenditure reductions or allow transfers from the Budget Stabilization Reserve Fund if a projected ending fund balance drops below minimum statutory requirements.

If the Budget Director determines that a deficit exists, statute requires reductions that must be made to assure that the projected ending fund balance complies with the minimum ending fund balance of General Fund appropriations for the biennium. Under circumstances when a deficit of this level is projected during a biennium, the Governor may direct reductions from any General Fund expenditure not exempted by Section 17-7-140, MCA, including House Bill (HB) 2 (the State's main appropriation bill), any other appropriation bills, statutory appropriations, or language appropriations. Reductions may not exceed 10% of General Fund appropriations for any single "program," as defined in HB 2. If a program has more than one appropriation, the reduction for one or more of the appropriations may exceed 10% as long as the reduction for the program as a whole does not exceed 10%.

The Legislative and Judicial branches, the Montana School for the Deaf and Blind, principal and interest on State debt, salaries of elected officials, and public school BASE funding are exempt, statutorily, from reductions. These exemptions shield approximately one-third of General Fund appropriations from reduction. Of the remaining expenditures, the Governor may not direct executive agencies headed by elected officials or the Board of Regents to reduce their expenditures by more than the average reduction percentage imposed upon all other executive branch agencies.

### Net Position

In funds other than governmental, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in the capital assets portion of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reported restricted net position of \$4.5 billion.

Net position associated with the Unemployment Insurance Fund, Municipal Finance Programs, and Public Entity Risk Pools are classified as restricted. The majority of the restricted net position for other purposes business-type activities amounting to \$14.7 million is made up of \$9.7 million from HUD Section 8 Fund;

\$4.6 million from Flexible Spending Administration Fund; and \$500.0 thousand from the Local Government Audits Fund.

**S. Property and Income Taxes**

Real property taxes are normally levied in October and are usually payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due.

Personal property tax levies are set each August, and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice. Property tax payments are recognized as deferred inflows of resources if received prior to levy or availability.

Personal property taxes attach as an enforceable lien immediately if not paid when due. Each of Montana's 56 counties collect property taxes. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

During the 2023 Legislative session, three tax rebate bills were passed. House Bill (HB) 192 provides a one-time income tax rebate based on the 2021 income tax levies. The estimated rebate of \$493.7 million is accounted for as a reduction of income taxes received for 2023. HB 222 and HB 816 provide property tax rebates based on the 2022 and 2023 property tax levies for principal residences. The estimated rebate of \$187.4 million, based on the 2022 property tax levy, is accounted for as a reduction of property taxes received for 2023.



## T. Other Taxes

On the Statement of Activities, the revenue category "Other Taxes" consists of the following taxes (in thousands):

	General Fund	State Special Revenue	Other Governmental Funds	Business-Type Funds	Total
Accommodations	\$ 42,228	\$ 60,548	\$ 11,109	\$ 32	\$ 113,917
Agriculture	—	8,219	—	—	8,219
Cannabis tax (medical/recreational)	—	51,724	—	—	51,724
Car rental	7,273	2,424	—	—	9,697
Cigarette/tobacco	26,121	33,008	1,199	—	60,328
Contractors gross receipts	6,731	—	—	—	6,731
Energy tax	7,399	63	—	—	7,462
Fire protection	—	4,263	—	—	4,263
Insurance premium	106,155	56,136	—	—	162,291
Light vehicle registration	—	6,727	—	—	6,727
Liquor tax	5,759	2,332	—	40,745	48,836
Livestock	—	4,583	—	—	4,583
Other taxes	149	1,067	—	—	1,216
Public service commission	—	5,105	—	—	5,105
Railroad car companies	4,008	—	—	—	4,008
Telephone license	8,437	—	—	—	8,437
Video gaming	80,107	5	—	—	80,112
Total other taxes	\$ 294,367	\$ 236,204	\$ 12,308	\$ 40,777	\$ 583,656

## U. Tax Abatement

In the Montana Board of Investment's (BOI) Commercial Loan Program, within the Separately Managed Accounts, the infrastructure loan program is funded by an \$80.0 million allocation. Eligible local governments request a loan for constructing or purchasing infrastructure to be used by a basic sector business. The basic sector business will pay a user fee to the local government that is pledged to BOI for the loan repayment. BOI reviews each loan, and only upon verification that the entities meet the loan requirements is the loan approved by BOI. The local government entity must pass a resolution authorizing the acceptance of the commitment agreement. BOI indemnifies the local government regarding repayment of the loan.

To be eligible for the program, the basic sector business must create at least 15 full-time basic sector jobs. The maximum loan size is \$16.7 thousand multiplied by the number of full-time jobs created with a minimum loan size of \$250.0 thousand. The maximum loan term is 25 years. There is also up to a 2.5% interest rate reduction for job creation. The reduction will be reflected in the user fee rate charged to the basic sector business upon BOI review and approval. The basic sector business must create the required jobs within four years of the agreement. If the basic sector business does not create the required jobs within the four-year period, then the basic sector business must pay down the loan balance of the local government entity until the loan balance matches the eligible amount per the jobs created. BOI may increase the interest rate commensurate with the number of jobs eliminated if the borrower eliminates qualifying jobs. The basic sector business must annually provide payroll documentation to BOI.

Pursuant to statute, a business that is created or expanded as the result of an Infrastructure Loan is entitled to a credit against either their State individual income taxes or corporate income taxes for the portion of the fees attributable to the use of the infrastructure. The total amount of tax credit claimed may not exceed the amount of the loan. The credit may be carried forward for seven years or carried back for three years.

During the fiscal year ended June 30, 2023, basic sector business entities made total user fee payments of \$1.8 million, representing \$1.4 million of principal and \$0.4 million in interest. During the fiscal year ended June 30, 2023, a total of \$4.9 million was claimed as a credit against the State individual and corporation tax liability. The following table details the fiscal year 2023 credit claimed by tax type and the tax year it was applied against (in thousands):

<b>Infrastructure Credit Claimed</b>			
	<b>Tax Year 2022</b>	<b>Tax Year 2021</b>	<b>Total</b>
Corporate income tax	\$ —	\$ 245	\$ 245
Individual income tax	1	4,679	4,680
Total amount claimed	<u>\$ 1</u>	<u>\$ 4,924</u>	<u>\$ 4,925</u>

## **V. Irrevocable Split Interest Agreements**

Irrevocable split-interest agreements are used by donors to provide resources to two or more beneficiaries, including governments. These agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements. The University of Montana campuses have three irrevocable split interest agreements during the fiscal year ended June 30, 2023. Further detail related to these agreements is provided in Note 3.

## **NOTE 2. OTHER ACCOUNTING CHANGES**

### **A. New Accounting Guidance Implemented**

For the year ended June 30, 2023, the State adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 91, Conduit Debt Obligations (GASB 91). This statement provides a single method of reporting conduit debt obligations by clarifying the definition of conduit debt and establishes related standards for recognition, measurement, and disclosure.

GASB Statement No. 94, Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs) (GASB 94). This statement establishes accounting and financial reporting guidance for arrangements between governments and certain external entities. PPP arrangements generally result in the government conveying control of the right to operate or use a capital asset to an external entity for a period of time in an exchange or exchange-like transaction. APAs are agreements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96). This statement provides guidance concerning the accounting and financial reporting aspects of engaging in subscription-based agreements for another party's information technology (IT) software. According to this Statement, a subscribing entity is obliged to record a subscription liability as well as an intangible right-to-use asset. This approach enhances the relevance and consistency of information pertaining to the way governmental entities handle their subscription-based IT arrangements.

Statement No. 99, Omnibus 2022 (GASB 99). This statement improves consistency by addressing practice issues identified during the implementation and application of certain GASB statements and addressing accounting and financial reporting for financial guarantees. The State early implemented provisions related to GASB 87 Leases for the year ending June 30, 2022. Remaining provisions were implemented for the year ended June 30, 2023.

### **B. Adjustments to Beginning Net Position**

Prior to the implementation of GASB 96, payments for SBITAs were recorded as operating expenses when paid. For the implementation of GASB 96, the State recognized the right-to-use subscription assets and corresponding subscription liabilities. The cumulative effect of the SBITA accounting for SBITAs existing as of July 1, 2022, for the Statement of Activities, was an increase to the beginning net position of \$2.0 million for Governmental Activities and \$191.7 thousand for Business-Type Activities and for the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position, an increase to the beginning net position of \$191.7 thousand for Enterprise Funds.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental funds, a prior period adjustment of \$53.8 million was due to a reclassification between the State Special Revenue fund and the General Fund. The Fire Suppression Fund has historically been included in the State Special Revenue fund, but the majority of revenues are transfers from the General Fund. Without a committed revenue source, GASB 54 requires it to be reported with the General Fund. More information is available in Note 1.

The remainder of prior period adjustments reported in the accompanying financial statements relate to corrections of errors from prior periods. Governmental funds correction of errors related to capital assets, right of use liabilities, and internal transactions. Business type-Type Activities had errors related to capital assets and right of use liabilities.

**NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS**

This note details the following asset classifications (in thousands):

Cash/cash equivalents	\$	9,512,713
Equity in pooled investments		16,747,829
Investments		3,728,593

Carrying amounts for the bank balance for cash deposits and fair values for the State's cash equivalents and investments are presented in Tables 1 through 4.

**A. General**

Outside of statutory requirements, the State does not maintain a statewide risk policy for cash/cash equivalents or investments held outside of the Montana Board of Investments (BOI). The investment risk policy for State cash/cash equivalents and investments managed by BOI, have been detailed below.

BOI was created by the Legislature to manage the Unified Investment Program (UIP) established by the State Constitution. The UIP is comprised of involuntarily participating state funds, including pensions, trusts, insurance, operating funds, and by statute voluntarily participating local government funds. BOI manages the UIP pursuant to the "Prudent Expert Principle" mandated by State law, which requires an investment manager to:

1. discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;
2. diversify the holdings of each fund within the UIP to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and
3. discharge the duties solely in the interest of and for the benefit of the funds forming the UIP.

BOI is not registered with the U.S. Securities and Exchange Commission as an investment company. BOI's investment program is governed by Investment Policy Statements (IPS) approved by BOI.

State agencies and local government entities may participate in one or more pools. By investing in pools, participants are provided broad diversification. State agencies may also have direct fixed income, equity, or loan investments. These investments are combined and reported as Separately Managed Accounts (SMA). Currently, only the nine retirement funds that participate in the Consolidated Asset Pension Pool (CAPP), the Defined Contribution Disability Plan, and the Montana State Fund (MSF) may invest in public corporate capital stock. Neither State law nor the State Constitution place restrictions on retirement fund investments. BOI approves a separate IPS for each pool and SMA participant, which provides BOI staff with a broad strategic framework under which the investments are managed. The IPS also reflects BOI approved asset allocation ranges.

By statute, local government entities can voluntarily invest in the Short Term Investment Pool (STIP). By statute, with a qualifying event, local government entities may also voluntarily invest in the Trust Funds Investment Pool (TFIP).

Separately issued investment pool financial statements may be obtained by contacting:

Montana Board of Investments  
2401 Colonial Drive, 3<sup>rd</sup> Floor  
PO Box 200126  
Helena, MT 59620-0126

BOI's separately issued UIP financial statements include the activity for MSF within SMA on a June 30, 2023, basis. MSF, a discretely presented component unit of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting periods, there

will be a variance between the note disclosures and the financial statements for cash/cash equivalents and investments.

**(a) Cash and cash equivalents** consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in STIP, cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents.

Cash deposited with the State Treasurer's pooled cash account is invested by BOI in short-term securities and other investments. Because these funds are immediately available to the individual funds, their investment in the pooled cash account is reported as a cash equivalent. BOI also manages STIP, which provides individual State agencies and local governments an opportunity to invest excess cash in a pool that is managed to preserve principal while providing daily liquidity. Because these pooled funds are invested in short-term, highly liquid investments, the individual fund investments in the STIP are reported as a cash equivalent.

**(b) Investment securities** are reported by investment portfolio and type in Table 2 – Cash Equivalents, Table 3 – Equity in Pooled Investments, and Table 4 – Investments. Unrealized gains and losses are included as a component of investment income. Unrealized gains and losses are computed based on changes in the fair value of investments held from the beginning of the year, but unsold at the fiscal year-end. The net change in fair value of investments also consists of the realized gains or losses. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Investments reported at fair value are on a trade date basis. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. Alternative investment securities are valued using the most recent estimates of fair value from the investment managers. Fair value measurements are reviewed monthly, and third-party valuations are reviewed for reasonableness and compliance with approved price source authorization policy. BOI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets that BOI can access as of June 30, 2023.

Level 2 – Prices are determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.

Level 3 – Prices are determined using unobservable inputs, which generally results in BOI using the best information available and may include BOI's own data.

**(c) Security Lending** - BOI is authorized by law to lend its securities and has contracted with the custodial bank to lend BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. On any day, including June 30th, the markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. BOI and the custodial bank split the earnings 85% and 15%, respectively, on securities lending activities. BOI retains all rights and risks of ownership during the loan period. The custodial bank indemnifies BOI's credit risk exposure to the borrowers. The custodial bank cannot sell collateral securities unless the borrower defaults.

During fiscal year 2023, the custodial bank loaned BOI's public securities and received as collateral the following instruments:

- Cash (U.S. and foreign currency)
- Securities issued or guaranteed by the United States government or its agencies or instrumentalities

- Canadian provincial debt
- All other sovereign debt
- Convertible bonds
- U.S. and non-U.S. equities (which shall include (i) equity securities in the form of exchange-traded funds (“ETFs”) and, for the avoidance of doubt, shall include, but not be limited to, ETFs of the custodial bank or other custodial bank affiliates and (ii) American Depositary Receipts and Global Depositary Receipts)
- Covered bonds
- Preferred securities
- Certificates of Deposit
- Money market instruments
- Asset-backed securities
- Asset-backed commercial paper
- Commercial paper
- Collateralized mortgage obligations
- Mortgage-backed securities
- Supranationals
- Irrevocable bank letters of credit issued by a person other than the borrower or an affiliate of the borrower may be accepted as collateral, if the custodial bank has determined that it is appropriate to accept such letters of credit as collateral under the securities lending programs it administers
- Assets permissible under Rule 15c3-3 under the Exchange Act of 1934; and
- Such other collateral as the parties may agree to in writing

BOI has an established schedule with the custodial bank that identifies the minimum credit rating and margin requirements for each instrument:

Collateral Type	Minimum Credit Rating	Margin Requirement
US Treasuries, including Treasury Inflation Priced Securities		102%
US Federal Agency Debt, including agency mortgage-backed securities		102%
Municipal Bonds	A-/A3	105%
Canadian Provincial and Australian Semi-Regional Debt	A-/A3	105%
Asset-Backed Securities	AA-/Aa3	110%-115%
Collateralized Mortgage-Backed Securities	AA-/Aa3	110%-115%
Commercial Mortgage-Backed Securities	AA-/Aa3	110%-115%
Supranational Debt	AAA/Aaa	102%
Sovereign Debt	AA-/Aa3	102%
Sovereign Debt	A-/A3	105%
Commercial Paper, Certificates of Deposit, Banker's Acceptances and Time Deposits	A1/P1	105%
Corporate Debt	AA-/Aa3	102%-115%
Corporate Debt	BBB-/Baa3	102%-115%
Convertible Bonds (convertible on call against loans of underlying stock, only) Matched/Hedged	No Floor	105%
Convertible Bonds (U.S. issuers only) Outright	No Floor	110%-115%
Equities (generally traded on well-established exchanges)		108%-110%

BOI imposed no restrictions on the amount of securities available to lend during fiscal year 2023. However, STIP assets are currently not available for securities lending. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period that resulted in a declaration and notice of default of the borrower. There were no losses during fiscal year 2023 resulting from a borrower default. As of June 30, 2023, no securities were recalled and not yet returned.

The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in an investment fund, the Navigator Securities Lending Government Money Market (Navigator) portfolio.

BOI and the borrowers maintain the right to terminate all securities lending transactions on notice. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. The Navigator portfolio had a weighted average duration of 6 days and a weighted average final maturity of 19 days.

**(d) Investment Pools and Separately Managed Accounts (SMA)** are described in the following paragraphs.

**Consolidated Asset Pension Pool (CAPP)**

The CAPP IPS contains prescribed asset allocation ranges among the allowable asset classes and is subject to change as BOI adopts modifications. BOI annually affirms or revises the asset allocation ranges for the retirement plans. The CAPP IPS also contains investment objectives and guidelines for each underlying asset class, with a purpose of providing diversified exposure within the asset class in a prudent and cost-effective manner.

Due to a longer-term focus, CAPP's pension asset classes differ from other classes that are allowable for other programs. CAPP's underlying asset classes are as follows:

- Domestic Equities
- International Equities
- Private Investments
- Real Assets
- Real Estate
- Core Fixed Income
- Non-Core Fixed Income
- Cash

The CAPP IPS is the only IPS that allows for investments that can be held in non-U.S. securities in a foreign currency. Per the CAPP IPS, the Core Fixed Income Asset Class and Non-Core Fixed Income Asset Class sections have maximum restrictions that can be held. Currency exposures may be hedged, in a defensive manner, at the discretion of the active managers to preserve the U.S. dollar value of investments made.

**Trust Funds Investment Pool (TFIP)**

The TFIP IPS provides for a 10.0% portfolio limit for non-core fixed income securities. TFIP invests primarily in investment grade, U.S. dollar denominated fixed income securities. The portfolio has high yield and real estate exposure.

**Short Term Investment Pool (STIP)**

The STIP IPS limits the concentration of credit risk exposure by limiting portfolio investment types to 3.0% in any issuer except for U.S. Treasury and U.S. Agency securities as well as any repurchase agreements with a financial institution.

STIP invests primarily in short-term, high quality, fixed income securities with a maximum maturity of 397 days or less. Variable securities shall have a maximum maturity of 2 years. STIP shall maintain a dollar-weighted average portfolio maturity of 120 days or less. STIP is managed to preserve principal while providing daily liquidity for state agency and local government participants.

BOI maintains a reserve account that may be used to offset losses within the STIP portfolio. The STIP reserve for the year ended June 30, 2023, is detailed as follows:

<b>STIP Reserve Activity</b> (in thousands)	
Beginning STIP Reserve	\$ 57,094
Additions	
Investment Earnings:	
Net increase (decrease) on fair value of investments	2,152
Interest income	413
Transfer of daily STIP income	8,975
Total investment earnings	<u>11,540</u>
Total STIP Reserve activity	<u>11,540</u>
Ending STIP Reserve	<u>\$ 68,634</u>

### **Separately Managed Accounts (SMA)**

SMA invests primarily in investment grade, U.S. dollar denominated fixed income securities and custodial bank interest bearing demand deposit account. However, one participant portfolio has exposure to core real estate and non-core fixed income. The SMA portfolio also includes Veteran's Home Loan Mortgages (VHLM) and loans funded by the Coal Severance Tax Trust Fund, as authorized by statute.

**(e) Investment Risk Disclosures** are described in the following paragraphs, with more detail provided in later sections.

#### Custodial Credit Risk (Cash and Cash Equivalents and Investments Held at Custodial Bank)

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, BOI's custodial bank must be rated at least at the 6th highest investment grade rating by at least two Nationally Recognized Statistical Rating Organizations (NRSROs) on an annual basis.

As of June 30, 2023, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee's name for BOI and held in the possession of BOI's custodial bank. The equity index funds, securities held at the State's depository bank, real estate, mortgage, and loan investments were purchased and recorded in BOI's name. Commingled fund investments are registered in the name of BOI. Therefore, BOI is not subject to custodial credit risk.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the U.S. government are excluded from the concentration of credit risk requirement. Concentration of credit risk is addressed within all IPS as set by BOI.

#### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Except for U.S. Government securities, the pools and SMA fixed income instruments have credit risk as measured by NRSRO ratings. Credit risk is contemplated for each individual portfolio in the IPS. Credit risk is managed by constraining portfolio purchases around investment grade NRSRO ratings as appropriate. The U.S. Government guarantees its securities directly or indirectly. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit risk.

As of June 30, 2023, of the CAPP's cash equivalents position held at its custodial bank, \$152.0 million was held in unrated money market funds.



As a matter of STIP investment policy, BOI can only purchase securities from a pre-approved “Approved Issuer” list. By STIP policy, permitted money market investments include only SEC registered 2a-7 Institutional Money Market Funds that are considered “U.S. Treasury” or “U.S. Government” money market mutual funds according to the SEC regulations or short-term investment vehicle available through the custodial bank. As of June 30, 2023, all the STIP money market investments were in U.S. Governmental money markets and \$357.0 million was held on deposit in short-term investment vehicles.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. BOI uses effective duration as a measure of interest rate risk for all fixed income portfolios.

CAPP, TFIP, and SMA investments at fair value are categorized to disclose credit and interest rate risk for fixed income securities. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using the weighted effective duration. NRSRO provides the credit ratings. According to the STIP investment policy, “The STIP portfolio will minimize interest rate risk by:

1. structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity;
2. maintaining a dollar-weighted average portfolio maturity (WAM) of 120 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities); and
3. STIP will maintain a reserve account.”

CAPP, TFIP, STIP, and SMA may hold fixed and variable rate securities. Interest payments on variable securities are based on an underlying reference rate, for example, Secured Overnight Financing Rate (SOFR).

STIP investments at fair value are categorized to disclose credit risk and weighted average maturity (WAM) as of June 30, 2023. Credit risk reflects the weighted security quality rating by investment type as of the June 30 report date. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. STIP has \$68.7 million in investments reported at cost that are not rated. STIP interest rate risk is determined using the WAM method. The WAM measure expresses investment time horizons (the time when investments are due or reset and payable in days, months, or years) weighted to reflect the dollar size of the individual investments within an investment type. Inclusive of cash and cash equivalents, the WAM averages 57 days for the portfolio. Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value as of June 30, 2023, BOI determined the cash equivalents have little discernible interest rate risk.

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BOI's foreign currency exposure by denomination and investment type are reported, in U.S. dollars, at fair value and is limited to CAPP.

#### **Other Policy Considerations**

For other risk, BOI approves both the IPS and benchmark used for each portfolio. Per the CAPP IPS, the internally managed Core Fixed average duration will be maintained in a range within 20.0% of the benchmark duration. The externally managed Core Fixed Income PAC and Non-Core Fixed Income PAC average duration will be maintained in a range within 25.0% of the index duration. Per the TFIP IPS, the average duration for Investment Grade Fixed Income Asset Class will be maintained in a range within 20.0% of the benchmark duration while the average duration of the Non-Core Fixed Income Asset Class will be maintained within 25.0% of the index duration. Interest rate risk for SMA is contemplated in each individual IPS and is managed by limiting the maturity of individual securities and/or matching liabilities to maturities per estimated cash flows.

Fair Value of Derivative Instruments

Within CAPP, the UIP invests in currency forward contracts, credit default swaps, interest rate swaps, index futures (long and short duration), rights, and warrants which are classified as investment derivative instruments. The investment derivative instruments increased in fair value for the fiscal year ended June 30, 2023, by \$3.3 million. The derivative instruments had a fair value of \$651.0 thousand as of June 30, 2023. The notional amount of the contracts was \$67.1 million.

**Investment Derivative Instruments as of June 30, 2023**  
(in thousands)

Security Investment Type	Classification	Changes in Fair Value Included in Investment Income	Fair Value	Notional Amount
Credit default swaps bought	Investment	\$ (276)	\$ (84)	\$ 3,015
Credit default swaps written	Investment	1,428	—	—
Currency Forward Contracts	Investment	(1,114)	(778)	51,053
Index Futures Short	Investment	154	—	—
Index Futures Long	Investment	2,256	—	5
Pay fixed interest rate swaps	Investment	176	171	2,433
Receive fixed interest rate swaps	Investment	(8)	45	9,939
Rights	Investment	2	44	58
Warrants	Investment	658	1,253	596
Totals		<u>\$ 3,276</u>	<u>\$ 651</u>	<u>\$ 67,099</u>

Counterparty Credit Risk - Derivative Instruments

Counterparty credit risk is the risk that the counterparty will not fulfill its obligations. The maximum amount of loss to BOI in case of default of all counterparties as of June 30, 2023 was \$679.0 thousand. The following table reflects BOI's applicable counterparty credit ratings and risk concentrations.

**Risk Concentrations - Credit Default Swaps as of June 30, 2023**

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
HSBC Bank USA	27%	A+	AA-	Aa3
UBS Securities LLC	22%	A+	A+	Aa3
Barclays Bank PLC Wholesale	21%	A+	A+	A1
UBS LCH	13%	A+	A+	Aa3
BNP Paribas SA	6%	A+	A+	Aa3
UBS CME	4%	A+	A+	Aa3
Citigroup Global Markets LCH	4%	BBB+	A	A3
Citibank N.A.	2%	A+	A+	Aa3
UBS AG	1%	A+	A+	Aa3

Interest Rate Risk - Derivative Instruments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following table reflects BOI's interest rate risk in derivative instruments.

**Interest Rate Risk as of June 30, 2023**  
(in thousands)

Investment Type	Fair Value	Investment Maturities (in years)		
		Less Than 1	1 - 5	6 - 10
Credit default swaps bought	\$ (84)	\$ —	\$ (84)	\$ —
Pay fixed interest rate swaps	171	—	—	171
Receive fixed interest rate swaps	45	—	36	9
<b>Totals</b>	<b>\$ 132</b>	<b>\$ —</b>	<b>\$ (48)</b>	<b>\$ 180</b>

**Foreign Exchange Risk - Derivative Instruments**

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. BOI is exposed to foreign currency risk on its currency forward contracts because they are denominated in foreign currencies. The fair value of the foreign currency forward contracts in U.S. dollars is \$(778.0) thousand. The following table reflects BOI's foreign currency risk associated with forward currency contracts.

(in thousands)					
Currency Forward Contracts					
Currency Name	Options	Net Receivables	Net Payables	Swaps	Total Exposure
Brazilian Real	\$ —	\$ (7)	\$ (142)	\$ —	\$ (149)
Chilean Peso	—	(22)	(11)	—	(33)
Yuan Renminbi Offshore	—	(196)	11	—	(185)
Yuan Renminbi	—	—	—	37	37
Colombian Peso	—	5	(124)	—	(119)
Czech Koruna	—	(7)	—	—	(7)
Euro Currency	—	—	(79)	171	92
Indonesian Rupiah	—	(10)	14	—	4
Indian Rupee	—	4	—	—	4
Mexican Peso	—	142	(450)	142	(166)
Malaysian Ringgit	—	(14)	116	—	102
Peruvian Sol	—	—	(13)	—	(13)
Polish Zloty	—	32	—	—	32
Romanian Leu	—	—	11	—	11
Singapore Dollar	4	—	—	—	4
Thailand Baht	—	(83)	—	—	(83)
South African Rand	—	—	45	—	45
Sub Total	4	(156)	(622)	350	(424)
U.S. Dollar	\$ 1,293	\$ —	\$ —	\$ (218)	\$ 1,075
<b>Totals</b>	<b>\$ 1,297</b>	<b>\$ (156)</b>	<b>\$ (622)</b>	<b>\$ 132</b>	<b>\$ 651</b>

## B. Cash/Cash Equivalents

**(1) Cash Deposits** – The State requires collateralization based on the average daily bank balance in the depository bank holding the main state bank account. For other depository banks, state statutes require collateralization at 50.0% of the bank balance. The cash deposits amount includes both primary government and component unit deposits.

**Table 1 – Cash Deposit Amounts**  
(in thousands)

	<b>Carrying Amount</b>
Cash held by State/State's agent	\$ 46,548
Uninsured and uncollateralized cash	5,755
Undeposited cash	603
Cash in U.S. Treasury	543,039
Cash in MSU component units	8,417
Cash in UM component units	11,307
Less: outstanding warrants	(69,211)
Total cash deposits	<u>\$ 546,458</u>

**(2) Cash Equivalents** – consists of cash in the State Treasury invested by individual funds in the Short-term Investment Pool (STIP), the State Treasurer's pooled cash account, and in identifiable securities and investments considered to be cash equivalents. Cash equivalents, generally, are short-term, highly liquid investments with original maturities of three months or less that are measured at cost. Cash equivalents may be under the control of BOI or other agencies, as allowed by law.

**Table 2 - Cash Equivalents**  
(in thousands)

	<b>Fair Value</b>
Treasuries <sup>(1)</sup>	\$ 614,810
Corporate commercial paper <sup>(2)</sup>	924,505
Corporate notes <sup>(2)</sup>	408,375
Certificates of deposit <sup>(2)</sup>	1,254,156
Agency or government related <sup>(2)</sup>	847,891
Unrated INTERCAP bonds <sup>(2)(3)</sup>	68,706
Money market fund unrated	291,170
STIP cash equivalents <sup>(2)</sup>	4,570,159
Treasurer's cash pool cash equivalents <sup>(2)</sup>	218,163
Less: STIP Adjustments <sup>(4)</sup>	(231,680)
Total cash equivalents	<u>\$ 8,966,255</u>

<sup>(1)</sup> A portion is also included in the Investments Measured at Fair Value and NAV table.

<sup>(2)</sup> Also included in the Investments Measured at Fair Value and NAV table.

<sup>(3)</sup> Investments are measured at cost.

<sup>(4)</sup> Includes adjustments for STIP Reserve, STIP included in pooled investments, and holding classification differences.

As of June 30, 2023, local governments had invested \$1.8 billion, and component units of the State of Montana had invested \$308.7 million in STIP.

**STIP Cash Equivalent Credit Quality Ratings as of  
June 30, 2023**  
(in thousands)

	<b>Total Cash Equivalents</b>	<b>Credit Quality Rating</b>
Agency or government related	\$ 247,623	A-1+
Asset backed commercial paper	3,340,815	A-1+
Corporate commercial paper	178,271	A-1+
Certificates of deposit	446,916	A-1+
Interest Bearing Demand Deposit Account (IBDDA)	356,534	A-1+
Total cash equivalents	<u>\$ 4,570,159</u>	

**STIP  
Credit Quality Rating and Weighted Average of Maturity as of  
June 30, 2023**  
(in thousands)

<b>Security Investment Type</b>	<b>Total Fixed Income Investments at Fair Value</b>	<b>Credit Quality Rating</b>	<b>WAM (Days)</b>
Treasuries	\$ 543,893	A-1+	8
Agency or government related	847,891	A-1+	12
Corporate:			
Commercial paper	924,505	A-1+	19
Notes	408,375	A-1+	3
Certificates of deposit	1,254,156	A-1+	40
Total STIP fixed income investments at fair value	<u>\$ 3,978,820</u>		

### C. Equity in Pooled Investments

These securities consist of investments held by BOI in pooled investment funds. The Consolidated Asset Pension Pool (CAPP) and Trust Funds Investment Pool (TFIP) were created to allow qualifying funds to participate in diversified investment pools. Purchases are subject to the statutorily mandated “Prudent Expert Principle” (see Table 3 – Equity in Pooled Investments).

**Table 3 – Equity in Pooled Investments**  
(in thousands)

	<u>Fair Value <sup>(1)</sup></u>
<b>CAPP:</b>	
Consolidated asset pension pool	\$ 13,949,464
<b>TFIP:</b>	
Trust funds investment pool	2,980,309
Treasurer's Cash Pool Investment in TFIP	<u>(218,163)</u>
Total pooled investments	16,711,610
Pool adjustments (net)	36,219
Total equity in pooled investments	<u>\$ 16,747,829</u>

<sup>(1)</sup> Includes cash/cash equivalents and investments.

As of June 30, 2023, the fair value of the underlying securities on loan was \$1.4 billion. Collateral provided for the securities on loan totaled \$1.5 billion, consisting of \$187.4 million in cash and \$1.3 billion in securities.

As of June 30, 2023, local governments invested \$11.8 million in TFIP.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2023, as required for applicable pools.

**Credit Quality Rating and Effective Duration as of June 30, 2023**  
Fair Value (in thousands)

Security Investment Type	CAPP	TFIP	SMA	Total Fixed Income Investments at Fair Value	Credit Quality Ratings Range	Effective Duration (Years)
Treasuries	\$ 660,599	\$ 521,926	\$ 326,177	\$ 1,508,702	AAA	7.24-11.75
Agency or Government Related	124,696	—	—	124,696	BBB-	5.79
Mortgage-Backed Securities:						
Noncommercial	387,867	405,658	230,164	1,023,689	AAA	4.88-5.67
Commercial	85,110	90,362	26,525	201,997	AAA	2.59-4.39
Corporate:						
Financial	379,539	232,218	160,431	772,188	BBB+ to A-	3.17-4.1
Industrial	1,063,704	890,318	454,608	2,408,630	BBB to A+	3.89-4.83
Utility	39,131	12,412	7,012	58,555	BB+ to BBB-	2.33-4.15
Total fixed income investments at fair value	<u>\$ 2,740,646</u>	<u>\$ 2,152,894</u>	<u>\$ 1,204,917</u>	<u>\$ 6,098,457</u>		

State of Montana investments are measured at fair value and categorized within the fair value hierarchy established by GASB Statement No. 72 – *Fair Value Measurement and Application*, as defined below.

Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Residential Mortgages classified in Level 3 of the fair value hierarchy are present value adjusted.

Direct real estate classified in Level 3 of the fair value hierarchy are based on the latest appraised value. In years with no updated appraisal the Montana Department of Revenue calculated growth rate is used to determine the adjusted value. The direct real estate was last appraised in fiscal year 2020.

Investments measured at cost are included to account for all investments within each pool and SMA. These assets represent cash equivalents, INTERCAP Bonds, and Montana Mortgages and Loans.

Each of the investment pools and SMA has the following fair value measurements as of June 30, 2023:

	Investments Measured at Fair Value (in thousands)			
	June 30, 2023	Fair Value Measurements Using		
		Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
<u>Investments by fair value level</u>				
Fixed income investments:				
Treasuries	\$ 2,052,595	\$ 2,052,595	\$ —	\$ —
Agency or Government Related	972,587	—	972,587	—
Mortgage Backed Securities:				
Noncommercial	1,023,689	—	1,023,689	—
Commercial	201,997	—	201,997	—
Corporate:				
Commercial Paper	924,505	—	924,505	—
Commercial Notes	408,375	—	408,375	—
Certificates of Deposit	1,254,156	—	1,254,156	—
Financial	772,189	—	772,189	—
Industrial	2,408,630	—	2,408,630	—
Utility	58,554	—	58,554	—
Domestic equity investments	4,423,092	4,423,092	—	—
International equity investments	2,060,952	2,060,952	—	—
Direct Real Estate	32,142	—	—	32,142
Residential Mortgages	849	—	—	849
Investment derivative instruments	3,127	—	3,127	—
Total investments by fair value level	<u>16,597,439</u>	<u>8,536,639</u>	<u>8,027,809</u>	<u>32,991</u>
<u>Investments measured at the net asset value (NAV)</u>				
Private Investments	2,412,047			
Core Real Estate	1,317,869			
Non-Core Real Estate	1,007,534			
Real Assets	601,263			
Real Estate High Income Fund	150,090			
Total investments measured at NAV	<u>5,488,803</u>			
Total investments measured at fair value	<u>22,086,242</u>			
<u>Investments at cost</u>				
Cash and cash equivalents held at custodial bank	4,735,113			
INTERCAP Bonds	68,706			
SMA Montana Mortgages and Loans	184,942			
Total investments not categorized	<u>4,988,761</u>			
Total investments	<u>\$ 27,075,003</u>			



The investments measured at NAV for the year ended June 30, 2023, are detailed below:

	Investments Measured at NAV (in thousands)			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Investments	\$ 2,412,047	\$ 1,249,439		
Core Real Estate	1,317,869	122,774	Monthly, Quarterly	45-90 days
Non-Core Real Estate	1,007,534	745,649		
Real Assets	601,263	459,594		
Real Estate High Income Fund	150,090	—	Daily	1-3 days
Total investments measured at the NAV	<u>\$ 5,488,803</u>	<u>\$ 2,577,456</u>		

STIP and \$1.7 billion of SMA are included, and also reported in Tables 2 and 4, respectively.

**Private Investments** – This type includes investments in limited partnerships. Typically, the types of partnership strategies included in this portfolio are venture capital, growth equity, buyouts, special situations, mezzanine, and distressed debt. These investments are considered long-term. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. It is expected that the underlying assets of the funds will be liquidated over 10 years. It is probable all the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the BOI's ownership interest in partners' capital.

**Core Real Estate** – This type includes funds that invest primarily in core real estate, which makes equity investments in operating and substantially leased institutional quality real estate in traditional property types (apartments, office, retail, industrial, and hotel) via commingled funds. The primary investment objectives of these core real estate funds are to invest in real estate that will generate income from predictable sources of revenue and not to realize gains on the underlying assets. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the partners' capital. Redemption of these investments is restricted based on the availability of cash flow arising from investment transactions, sales, and other fund operations occurring in the ordinary course of business. Therefore, requested redemptions from a fund will be redeemed as funds become available.

**Non-Core Real Estate** – This type includes private partnership funds that primarily invest in value added and opportunistic real estate funds. These funds assume more risk than the core real estate funds to achieve a greater return on investment. Returns are driven both by current income and by expected capital appreciation. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 7 to 10 years. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the fund.

**Real Assets** – This type includes private partnership funds that primarily invest in timber, energy, broad natural resource funds, and infrastructure. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 10 to 20 years. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the partners' capital.

**Real Estate High Income Fund** – This type consists of predominantly of real estate related instruments with an emphasis in U.S. corporate credits, whether in the form of bonds or loans that are rated below investment grade. These assets carry a higher risk of default than investment grade securities and accordingly provide a higher level of income or yield commensurate with that risk. The fair values of the investments of this type have been determined using the NAV per share (or its equivalent) of the investments.

As of June 30, 2023, the exchange date, BOI's foreign currency exposure by denomination and investment type are reported, in U.S. dollars, at fair value and is limited to CAPP. The following table excludes the foreign investments denominated in U.S. dollars for the American Depository Receipts (ADRs), sovereign debt, and commingled index funds.

### Foreign Currency Exposure by Country

Investment Type in U.S. Dollar Equivalent

(in thousands)

Foreign Currency Denomination	Currency	Fixed Income	International Equities	Private Investments	Real Estate	Real Assets
Australian Dollar	\$ 395	\$ —	\$ 40,958	\$ —	\$ —	\$ —
Brazilian Real	236	6,898	14,837	—	—	—
Canadian Dollar	41	—	52,571	—	—	—
Chilean Peso	55	1,729	64	—	—	—
Columbian Peso	47	1,922	—	—	—	—
Czech Koruna	8	3,448	1,045	—	—	—
Danish Krone	—	—	23,404	—	—	—
Dominican Peso	—	704	—	—	—	—
Egyptian Pound	5	—	116	—	—	—
EMU – Euro	211	5,791	231,734	9,825	112	44,184
Hong Kong Dollar	283	—	83,478	—	—	—
Hryvnia	225	278	—	—	—	—
Hungarian Forint	1	1,868	42	—	—	—
Indonesian Rupiah	208	5,997	13,456	—	—	—
Japanese Yen	437	—	135,256	—	—	—
Kazakhstan Tenge	—	526	—	—	—	—
Kuwaiti Dinar	—	—	181	—	—	—
Malaysian Ringgit	180	5,281	3,055	—	—	—
Mexican Peso	513	7,156	22,074	—	—	—
New Israeli Sheqel	—	—	3,061	—	—	—
New Taiwan Dollar	51	—	52,704	—	—	—
New Zealand Dollar	—	—	56	—	—	—
Norwegian Krone	1	—	15,489	—	—	—
Philippine Peso	21	—	846	—	—	—
Polish Zloty	—	—	4,119	—	—	—
Pound Sterling	87	—	91,915	—	—	—
Romanian Leu	—	3,122	—	—	—	—
Russian Ruble	17	—	—	—	—	—
Singapore Dollar	—	—	11,642	—	—	—
SOL	2	5,396	—	—	—	—
South African Rand	21	5,948	1,231	—	—	—
South Korean Won	78	—	19,051	—	—	—
Swedish Krona	—	—	39,531	—	—	—
Swiss Franc	12	—	41,507	—	—	—
Thailand Baht	73	2,564	12,670	—	—	—
Turkish Lira	—	—	1,092	—	—	—
UAE Dirham	1	—	727	—	—	—
Uruguayan Peso	—	1,859	—	—	—	—
Uzbekistan Sum	—	296	—	—	—	—
Yuan Renminbi	(3,897)	36	26,814	—	—	—
Yuan Renminbi Offshore	4,080	—	—	—	—	—
Total cash and securities	\$ 3,392	\$ 60,819	\$ 944,726	\$ 9,825	\$ 112	\$ 44,184

Investments in alternative financial assets are usually made via limited partnership agreements that involve many limited partners and a general partner who is responsible for all investment decisions. The limited partners make an original commitment, after which capital is called as needed by the general partner to make investments. These agreements will usually last several years. The following table shows the BOI's remaining commitments as of June 30, 2023 to active alternative investment funds with approximately \$2.3 billion related to CAPP, \$234.0 million related to TFIP, and \$15.0 million related to SMA.

<b>Pension Asset Class</b>	<b>Original Commitment</b>	<b>Commitment Remaining</b>
Private Investments	\$ 4,162,524	\$ 1,249,439
Real Assets	1,142,308	459,594
Real Estate	3,565,636	868,423
Total	<u>\$ 8,870,468</u>	<u>\$ 2,577,456</u>

#### D. Investments

BOI was created by the State Legislature to manage the Unified Investment Program established by the State Constitution. Long-term investments are administered by the following agencies, as allowed by state law, Section 17-6-201, MCA:

<b>Department</b>	<b>Percent Administered</b>
Board of Investments	43.08 %
Universities	22.81
MPERA (Montana Public Employee Retirement Administration)	27.35
College Savings Plan	5.07
Montana Board of Housing	0.76
Other <sup>(1)</sup>	0.93
Total	<u>100.00 %</u>

<sup>(1)</sup> Other consists of the Commissioner of Higher Education, the Department of Administration, the Department of Revenue, and State Auditor.

BOI must employ the "Prudent Expert Principle" in managing the State's investment portfolio. Investments are presented at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to BOI's custodial bank or trustee. State investments are categorized within the fair value hierarchy established by GASB Statement No. 72.

The PERS Defined Contribution Retirement Plan (DCRP) and the Deferred Compensation Plan's Montana Fixed Fund is a stable value investment option administered and monitored by the Public Employees' Retirement Board (PERB) with input from the Employee Investment Advisory Committee and the investment consultant. PERB has established an investment policy for the Montana Fixed Fund to identify objectives, investment guidelines, and outline the responsibility of the outside vendors. This investment policy includes stable value manager Pacific Investment Management Company LLC (PIMCO), custodial bank State Street Bank and Trust Company (State Street), and third-party synthetic Guaranteed Interest Contract (GIC) providers, Transamerica Life Insurance Company (Transamerica), Prudential Insurance Company of America (Prudential), and Voya Retirement Insurance and Annuity Company (Voya). All money invested in the Montana Fixed Fund investment option of the PERS-DCRP and Deferred Compensation Plan is held in a Pooled Trust. The third party recordkeeper, Empower Retirement™, tracks and reports the daily trading and valuations of all investment options, including the assets held by the individual mutual fund companies.

**Table 4 – Investments** (in thousands)

	Fair Value June 30, 2023	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Primary government</b>				
<u>Investments by fair value level</u>				
Treasuries <sup>(1)</sup>	\$ 1,884	\$ 1,884	\$ —	\$ —
Industrial	5,622	—	5,622	—
Stocks	11,526	11,526	—	—
Other	355	—	355	—
Total investments at fair value	19,387	13,410	5,977	—
<u>Investments at cost</u>				
Montana Mortgages and Loans <sup>(3)</sup>	177,693			
Total investments at cost	177,693			
Total primary government	197,080			
<b>Component units/fiduciary funds</b>				
<u>Investments by fair value level</u>				
Treasuries <sup>(1)</sup>	253,376	253,376	—	—
Mortgage-Backed Securities <sup>(1)</sup>	230,163	—	230,163	—
Commercial Mortgage-Backed Securities <sup>(1)</sup>	26,525	—	26,525	—
Financial-Corporate <sup>(1)</sup>	160,431	—	160,431	—
Industrial-Corporate <sup>(1)</sup>	448,986	—	448,986	—
Utility-Corporate <sup>(1)</sup>	7,012	—	7,012	—
Equity Investments	187,729	187,729	—	—
529 College Savings Plan	189,189	—	189,189	—
VEBA	11,498	11,498	—	—
State Auditor	11,306	5,302	6,004	—
MSU Component Unit Investments <sup>(2)</sup>	229,436	221,066	5,445	2,925
UM Component Unit Investments <sup>(2)</sup>	111,482	41,819	58,424	11,239
Board of Housing <sup>(2)</sup>	22,091	6,225	15,866	—
Total investments at fair value	1,889,224	727,015	1,148,045	14,164
<u>Investments at net asset value (NAV)</u>				
Core Real Estate	106,652			
Deferred Compensation <sup>(2)</sup>	598,971			
Defined Contribution <sup>(2)</sup>	420,832			
MSU Component Unit Investments <sup>(2)</sup>	150,397			
UM Other Investments <sup>(2)</sup>	362			
UM Component Unit Investments <sup>(2)</sup>	319,736			
UM Interest in Split Interest <sup>(2)</sup>	4,923			
Total investments at NAV	1,601,873			
<u>Investments at cost</u>				
MSU Component Unit Investments <sup>(2)</sup>	34,206			
Board of Housing <sup>(2)</sup>	6,210			
Total Investments at Cost	40,416			
Total component unit/fiduciary investments	3,531,513			
Total investments	\$ 3,728,593			
Securities lending investment pool	\$ 35,789			

(1) The credit quality rating and duration are included in the above sections for the rated investments.

(2) For more detail, refer to component unit separately issued financial statements.

(3) The total for Montana Mortgages and Loans does not include Coal Severance Tax loans, which was included in SMA financial statements. This amount of \$7.2 million is considered advances to other funds/component units and amounts due from component units in the Coal Tax Severance column of the governmental fund financial statements.

As of June 30, 2023, the fair value of the investments on loan was \$248.0 million. Collateral provided for the investments on loan totaled \$255.2 million consisting of \$35.8 million in cash and \$219.4 million in securities.

\$1.7 billion of SMA is included and also reported in the Investments Measured at Fair Value and NAV table.

**NOTE 4. DISAGGREGATION OF ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

Accounts receivable, long-term loans/notes/leases receivable, accounts payable, deferred outflows of resources, and deferred inflows of resources on the Statement of Net Position as of June 30, 2023, consisted of the following (in thousands):

**A. Accounts Receivables**

	Governmental Activities						
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Charges for services/fines/forfeitures	\$ —	\$ 6,414	\$ 3,465	\$ 599	\$ —	\$ —	\$ 18,553
Contributions/premiums	—	—	—	13,082	—	—	2,446
Grants/contracts/donations	—	—	—	—	—	—	2,869
Loans/investment income	3,640	3,096	15,597	1,059	2,603	8,093	4,086
Lease receivables	—	—	—	—	5,845	—	—
License and permits	—	—	—	—	—	—	1,728
Medicaid Drug Rebate Program	—	102,566	26,985	—	—	—	710
Other receivable	—	5	1	541	—	—	69
Reimbursements/overpayments	—	1,896	12,581	—	—	—	16,001
Taxes receivable	12,465	—	497,988	—	—	3,897	105,514
Total receivables	16,105	113,977	556,617	15,281	8,448	11,990	151,976
Less: allowance for doubtful accounts	(725)	(2,220)	(128,443)	(542)	—	(254)	(19,440)
Receivables, net	\$ 15,380	\$ 111,757	\$ 428,174	\$ 14,739	\$ 8,448	\$ 11,736	\$ 132,536

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Charges for services	\$ —	\$ 40,008	\$ —
Contributions/premiums	—	3,492	4,924
Loans/investment income	7,826	537	—
Reimbursements/overpayments	—	82	5,714
Grants/contracts/donations	—	162	—
Total receivables	7,826	44,281	10,638
Less: allowance for doubtful accounts	—	(503)	(5,067)
Receivables, net	\$ 7,826	\$ 43,778	\$ 5,571

**B. Long-Term Loans/Notes/Leases Receivable**

	Governmental Activities			
	Federal Special Revenue	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Loans/investment income	\$ 69,642	\$ —	\$ 18,358	\$ 491,114
Lease receivables <sup>(1)</sup>	—	482,029	—	237
Other receivable	—	—	—	6
Pledges receivable	—	—	—	30,326
Total receivables	69,642	482,029	18,358	521,683
Less: allowance for loan forgiveness	(9,670)	—	—	—
Less: allowance for doubtful accounts	(1,886)	—	—	(126)
Long-term loans/notes/leases receivable	\$ 58,086	\$ 482,029	\$ 18,358	\$ 521,557

<sup>(1)</sup> Further detail regarding lease receivables is provided in Note 10.

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Loans/investment income	\$ 43,340	\$ —	\$ —
Reimbursements/overpayments	—	63	73,790
Total receivables	43,340	63	73,790
Less: allowance for doubtful accounts	—	—	(67,374)
Long-term loans/notes/leases receivable	\$ 43,340	\$ 63	\$ 6,416

**C. Deferred Outflows of Resources**

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
OPEB deferred outflows <sup>(1)</sup>	\$ —	\$ 85,315	\$ 5,531	\$ —	\$ —
Pension deferred outflows <sup>(2)</sup>	40	590,135	9,208	—	44
Refunding deferred outflows <sup>(3)</sup>	—	—	—	24	—
Total deferred outflows	\$ 40	\$ 675,450	\$ 14,739	\$ 24	\$ 44

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred outflows <sup>(1)</sup>	\$ 29	\$ 1,605
Pension deferred outflows <sup>(2)</sup>	69	2,557
Total deferred outflows	\$ 98	\$ 4,162

<sup>(1)</sup> Further detail regarding OPEB related deferred outflows of resources is provided in Note 7.

<sup>(2)</sup> Further detail regarding pension related deferred outflows of resources is provided in Note 6.

<sup>(3)</sup> Refunding deferred outflows are related to components of net position restricted for non-capital assets components.

**D. Accounts Payables**

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
Accrued interest	\$ 5	\$ 151	\$ 30	\$ —	\$ 60
Payroll	8,734	19,306	3,372	6	18,148
Tax refunds	—	255,314	—	—	—
Tax rebates <sup>(1)</sup>	—	681,159	—	—	—
Vendors/individuals	222,369	177,222	14,631	12,222	130,354
Payables, net	<u>\$ 231,108</u>	<u>\$ 1,133,152</u>	<u>\$ 18,033</u>	<u>\$ 12,228</u>	<u>\$ 148,562</u>

<sup>(1)</sup> House Bills 192, 222, and 816 passed during the 2023 Legislative session provide for a one-time income tax and a two year property tax rebate, see Note 1 for more information.

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Accrued interest	\$ 1,258	\$ 5	\$ —
Payroll	16	828	—
Vendors/individuals	3	17,707	2,654
Payables, net	<u>\$ 1,277</u>	<u>\$ 18,540</u>	<u>\$ 2,654</u>

**E. Deferred Inflows of Resources**

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	State Special Revenue
Leases deferred inflows <sup>(3)</sup>	\$ —	\$ —	\$ —	\$ 487,874	\$ 237
OPEB deferred inflows <sup>(1)</sup>	—	137,110	8,890	—	—
Pension deferred inflows <sup>(2)</sup>	32	339,932	5,793	—	124
Total deferred inflows	<u>\$ 32</u>	<u>\$ 477,042</u>	<u>\$ 14,683</u>	<u>\$ 487,874</u>	<u>\$ 361</u>

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred inflows <sup>(1)</sup>	\$ 46	\$ 2,550
Pension deferred inflows <sup>(2)</sup>	26	1,407
Total deferred inflows	<u>\$ 72</u>	<u>\$ 3,957</u>

<sup>(1)</sup> Further detail regarding OPEB related deferred inflows of resources is provided in Note 7.

<sup>(2)</sup> Further detail regarding pension related deferred inflows of resources is provided in Note 6.

<sup>(3)</sup> Further detail regarding lease related deferred inflows is provided in Note 10.



**NOTE 5. CAPITAL ASSETS**

Changes in capital asset balances for the fiscal year ended June 30, 2023, are reflected in the following table (in thousands):

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases <sup>(1)</sup></b>	<b>Decreases <sup>(1)</sup></b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 790,130	\$ 17,414	\$ (3)	\$ 807,541
Construction work in progress	1,306,782	595,887	(563,854)	1,338,815
Easements	278,912	425	—	279,337
Museum and art	86,755	42	—	86,797
Right to use lease land	72	—	(72)	—
Other	30,652	221	(10)	30,863
Total capital assets not being depreciated	<u>2,493,303</u>	<u>613,989</u>	<u>(563,939)</u>	<u>2,543,353</u>
Capital assets being depreciated:				
Infrastructure	6,040,878	533,635	(340,162)	6,234,351
Land improvements	80,716	3,229	(126)	83,819
Buildings/improvements	677,642	46,974	(9,894)	714,722
Equipment	459,928	30,343	(10,930)	479,341
Easements - amortized	1,158	—	(73)	1,085
Right to use lease land	1,812	—	(185)	1,627
Right to use lease buildings	162,066	21,324	(11,539)	171,851
Right to use lease equipment	484	154	(32)	606
Right to use subscription <sup>(2)</sup>	34,092	13,137	—	47,229
Other	6,319	271	—	6,590
Total capital assets being depreciated	<u>7,465,095</u>	<u>649,067</u>	<u>(372,941)</u>	<u>7,741,221</u>
Less accumulated depreciation and amortization for:				
Infrastructure	(1,769,164)	(220,502)	216,716	(1,772,950)
Land improvements	(43,756)	(3,254)	63	(46,947)
Buildings/improvements	(458,956)	(41,042)	19,531	(480,467)
Equipment	(314,550)	(24,354)	8,598	(330,306)
Right to use lease land	(160)	(90)	66	(184)
Right to use lease buildings	(20,997)	(22,207)	3,501	(39,703)
Right to use lease equipment	(119)	(104)	32	(191)
Right to use subscription	—	(10,004)	—	(10,004)
Other	(5,133)	(288)	—	(5,421)
Total accumulated depreciation and amortization	<u>(2,612,835)</u>	<u>(321,845)</u>	<u>248,507</u>	<u>(2,686,173)</u>
Total capital assets being depreciated, net	<u>4,852,260</u>	<u>327,222</u>	<u>(124,434)</u>	<u>5,055,048</u>
Intangible assets	44,258	32,121	(22,492)	53,887
Governmental activities capital assets, net	<u>\$ 7,389,821</u>	<u>\$ 973,332</u>	<u>\$ (710,865)</u>	<u>\$ 7,652,288</u>

<sup>(1)</sup> The increases and decreases noted above include adjustments related to prior periods and correction of errors.

<sup>(2)</sup> The beginning balance has been restated for implementation of GASB Statement No. 96.

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases <sup>(1)</sup></b>	<b>Decreases <sup>(1)</sup></b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 800	\$ —	\$ —	\$ 800
Construction work in progress	3,830	8,921	(4,030)	8,721
Other	3,426	225	(3)	3,648
Total capital assets not being depreciated	8,056	9,146	(4,033)	13,169
Capital assets being depreciated:				
Infrastructure	1,175	—	—	1,175
Land improvements	3,830	—	—	3,830
Buildings/improvements	16,393	—	—	16,393
Equipment	9,960	495	(80)	10,375
Right to use lease buildings	4,067	—	(493)	3,574
Right to use lease equipment	—	12	—	12
Right to use subscription <sup>(2)</sup>	1,734	—	—	1,734
Total capital assets being depreciated	37,159	507	(573)	37,093
Less accumulated depreciation and amortization for:				
Infrastructure	(802)	(19)	—	(821)
Land improvements	(2,511)	(149)	—	(2,660)
Buildings/improvements	(8,283)	(581)	—	(8,864)
Equipment	(7,883)	(373)	69	(8,187)
Right to use lease buildings	(404)	(351)	25	(730)
Right to use subscription	—	(446)	—	(446)
Total accumulated depreciation and amortization	(19,883)	(1,919)	94	(21,708)
Total capital assets being depreciated, net	17,276	(1,412)	(479)	15,385
Intangible assets	1,768	6,377	(5,176)	2,969
Business-type activities capital assets, net	\$ 27,100	\$ 14,111	\$ (9,688)	\$ 31,523

<sup>(1)</sup> The increases and decreases noted above include adjustments related to prior periods and corrections of errors.

<sup>(2)</sup> The beginning balance has been restated for implementation of GASB Statement No. 96.

**Total right to use assets (in thousands):**

	Right to Use Lease Capital Assets	Right to Use Lease Accumulated Amortization	Right to Use Subscription	Right to Use Subscription Amortization	Right to Use Lease Capital Assets, Net
Governmental activities	\$ 174,084	\$ (40,078)	\$ 47,229	\$ (10,004)	\$ 171,231
Business-type activities	3,586	(730)	1,734	(446)	4,144
Total	\$ 177,670	\$ (40,808)	\$ 48,963	\$ (10,450)	\$ 175,375

Depreciation expense for capital assets and amortization expense for right to use assets were charged to governmental functions as follows (in thousands):

	Depreciation <sup>(1)</sup>	Right to Use Lease Asset Amortization	Right to Use Subscription Amortization	Total
General government	\$ 12,016	\$ 3,451	\$ 469	\$ 15,936
Public safety	26,452	5,236	3,092	34,780
Transportation, including depreciation of the highway system maintained by the State	222,325	218	1,227	223,770
Health and human services	3,967	9,532	3,706	17,205
Education	196	719	747	1,662
Natural resources, including depreciation of the state's dams	11,607	2,320	—	13,927
Depreciation and amortization on capital assets held by the internal service funds	12,877	925	763	14,565
Total – Governmental Activities	<u>\$ 289,440</u>	<u>\$ 22,401</u>	<u>\$ 10,004</u>	<u>\$ 321,845</u>

<sup>(1)</sup> Depreciation expenses noted above include adjustments related to prior periods and correction of errors.

Depreciation expense for capital assets and amortization expense for right to use assets were charged to business-type activities as follows (in thousands):

	Depreciation <sup>(1)</sup>	Right to Use Lease Asset Amortization	Right to Use Subscription Amortization	Total
Liquor Stores	\$ 89	\$ 28	\$ —	\$ 117
State Lottery	41	207	—	248
Prison Funds	411	—	—	411
MUS Group Insurance	—	36	—	36
MUS Workers Compensation	—	5	—	5
West Yellowstone Airport	522	—	—	522
Other Enterprise Funds	59	75	446	580
Total – Business-type Activities	<u>\$ 1,122</u>	<u>\$ 351</u>	<u>\$ 446</u>	<u>\$ 1,919</u>

<sup>(1)</sup> Depreciation expenses noted above include adjustments related to prior periods and correction of errors.

## **NOTE 6. RETIREMENT PLANS**

### **A. General**

The funding policies for each plan provide for periodic employee, employer, and State nonemployer contributions at rates specified by state law. An actuary determines the actuarial implications of the funding requirement in an annual actuarial valuation. The actuarial method used to determine the implications of the statutory funding level is the Entry Age Actuarial Cost Method, with both normal cost and amortization of the unfunded actuarial liability determined as a level percentage of payroll expense. Benefits are established by state law and can only be amended by the Legislature.

Montana State Fund (MSF), a discretely presented component unit of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in the reporting period, there will be a variance between the note disclosures and the financial statements for some pension-related items.

#### **Public Employees' Retirement Board**

The Public Employees' Retirement Board (PERB) oversees eight defined benefit plans: Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP); Judges' Retirement System (JRS); Highway Patrol Officers' Retirement System (HPORS); Sheriffs' Retirement System (SRS); Game Wardens' and Peace Officers' Retirement System (GWPORS); Municipal Police Officers' Retirement System (MPORS); Firefighters' Unified Retirement System (FURS); and Volunteer Firefighters' Compensation Act (VFCA). The PERB also oversees one defined contribution plan: Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP), and the education funds related to the pension plans. All benefit plans, defined benefit and defined contribution, are administered by the Montana Public Employees' Retirement Administration (MPERA). Separately issued financial statements and actuarial reports can be obtained at 100 North Park, Suite 200, PO Box 200131, Helena, MT 59620-0131. The financial statements and the latest actuarial valuation may also be obtained here: <http://mpera.mt.gov/>. The financial statements for the PERS-DBRP include activity for the defined benefit plan and the associated education fund. The PERS-DCRP financial statements include activity for the defined contribution plan and the associated education fund.

The PERB is an independent, seven-member board, appointed by the Governor. The members are assigned five-year, staggered terms. The PERB consists of two members at large, two active defined benefit public employees, one active defined contribution public employee, one member experienced in investments, and one retired public employee. The PERB approves the annual operating budget, developed by MPERA management, before the beginning of the fiscal year. As governed by statute, the PERB's defined benefit administrative expenses may not exceed 1.5% of the total defined benefit plan retirement benefits paid. In addition, the PERB decides legislative policy and priorities, hires the executive director, establishes the policies and procedures that govern operations at MPERA, and hears and rules on appeal matters of disabilities, retirees, and members. PERB members do not receive compensation for their service to the MPERA but are reimbursed for necessary expenses incurred while serving.

All defined benefit pension plans provide retirement, disability, and death benefits to the plan members and their beneficiaries. The PERS-DCRP Disability OPEB Plan provides a defined benefit for disabled members of the PERS-DCRP. Beneficiaries do not receive disability benefits but may attain retirement benefits from the PERS-DCRP. A summary of the plan eligibility and benefits are found in the Summary of Benefits sections throughout Note 6.

#### **Teachers' Retirement System**

The Teachers' Retirement System (TRS) is a defined benefit plan administered by the Teachers Retirement Board (TRB). The plan prepares a publicly issued annual comprehensive financial report that includes financial statements and required supplementary information for TRS. Separately issued financial statements, actuarial valuations, and experience studies can be obtained at 100 N Park Avenue, Suite 110, PO Box 200139, Helena, MT 59620-0139, or can be found online at <https://trs.mt.gov/>.

The TRB consists of six members, all of whom are appointed by the Governor. Three TRB members must be teaching professionals who, when appointed, are active members of TRS; at least one of them must be an active classroom teacher. One TRB member must be a retired teacher who was a member of TRS at the time of retirement. Two TRB members are appointed from the public at large. TRB members serve staggered, five-year terms. Three TRB members constitute a quorum.

A summary of the number of participating employer and nonemployer contributing entities as of June 30, 2023, follows:

Classification of Participant	GWPORS	PERS-DBRP	PERS-DCRP	SRS	MPORS	FURS	VFCA	TRS
Employer	7	551	348	57	36	28	228	364
Nonemployer contributing entity	—	1	—	—	1	1	1	1
Total Participants	7	552	348	57	37	29	229	365

There are 630 State employees who are eligible to participate in defined benefit pension plans, other than the plans listed above.

## B. Summary of Significant Accounting Policies

The MPERA prepares its financial statements using fund accounting principles and the accrual basis of accounting. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. Plan member contributions, employer contributions, and related receivables are recognized as revenues in the accounting period in which they are earned and become measurable, pursuant to formal commitments and statutory requirements. Benefit payments and refunds/distributions are recognized in the accounting period in which they are due and payable in accordance with the terms of each plan. Administrative and other expenses, and the associated liabilities, are recognized in the period the liability is incurred. Administrative expenses are financed through investment earnings on the pension trust fund for the defined benefit plans. Interfund receivables and payables exist at year-end for defined benefit administrative expenses that are accounted for within PERS-DBRP and allocated to the other defined benefit plans at year-end. Costs specifically related to the computer system upgrades are charged directly to the individual plans. The MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

The TRS prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS, and additions to/deductions from TRS's fiduciary net position, the items have been determined on the same accrual basis as they are reported by the TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The TRS adheres to all applicable GASB statements.

The pension trust fund financial statements presented in this report are prepared using the accrual basis of accounting in the same manner as that described for the pension plan administrators above.

### C. Summary of All Public Employee Retirement Plans

A summary of classes of members in JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, TRS, and PERS-DCRP, covered by benefit terms at June 30, 2023, follows:

Type of Plan for Reporting Purposes	Single-Employer Defined Benefit			Multi-Employer Defined Benefit						Multi-Employer Defined Contribution	
	Plan Designation	JRS	HPORS <sup>(1)</sup>	GWPORS	PERS-DBRP <sup>(2)</sup>	SRS	MPORS <sup>(1)</sup>	FURS	VFCA <sup>(3)</sup>	TRS	PERS-DCRP
<b>Classification of Member</b>											
Active	60	235	1,017	29,622	1,543	862	826	2,510	19,978	3,406	
Inactive entitled to, but not yet receiving, benefits or a refund:	—	—	—	—	—	—	—	—	—	—	
Vested	2	21	184	4,982	220	134	49	832	2,214	1,066	
Non-vested	2	47	593	24,636	981	239	106	8,464	5,854	1,383	
Inactive members and beneficiaries currently receiving benefits:	—	—	—	—	—	—	—	—	—	—	
Service retirements	69	357	475	24,914	837	900	680	1,534	15,465	224	
Disability retirements	—	4	2	86	31	27	13	1	172	7	
Survivor benefits	5	9	13	554	23	28	17	6	2,070	3	
<b>Total membership</b>	<b>138</b>	<b>673</b>	<b>2,284</b>	<b>84,794</b>	<b>3,635</b>	<b>2,190</b>	<b>1,691</b>	<b>13,347</b>	<b>45,753</b>	<b>6,089</b>	

<sup>(1)</sup> Includes Deferred Retirement Option Plan (DROP) in the Active count.

<sup>(2)</sup> The PERS-DBRP inactive non-vested count includes dormant accounts that were previously not counted until FY2017.

<sup>(3)</sup> The VFCA Inactive non-vested count is being included in the membership count. Prior to Fiscal Year 2022 the count was not included in the actuarial funding valuation.

The following table represents the aggregate proportional share of the pension amounts for all defined benefit plans from the perspective of the State as the employer and/or nonemployer contributing entity for primary government, discretely presented component units, and fiduciary component units reported as of June 30, 2023, based on the actuarial valuation as of June 30, 2021 (amounts presented in thousands):

#### Aggregate Pension Amounts - All Defined Benefit Plans

	Primary Government			Discretely Presented Component Units <sup>(1)</sup>	Fiduciary Component Units	TOTAL
	State as Employer	State as Nonemployer Contributing Entity	Total Primary Government			
<b>Net Pension Liabilities</b>	\$ 1,233,382	\$ 1,289,775	\$ 2,523,157	\$ 212,683	\$ 1,886	\$ 2,737,726
<b>(Net Pension Assets)</b>	(51,435)	—	(51,435)	—	—	(51,435)
<b>Pension Deferred Outflows of Resources</b>	312,867	289,186	602,053	68,069	341	670,463
<b>Pension Deferred Inflows of Resources</b>	208,645	138,669	347,314	17,798	139	365,251
<b>Pension Expense or Nonemployer Contributing Entity Grant Expense</b>	131,501	117,739	249,240	39,943	311	289,494

<sup>(1)</sup> MSF pension deferred outflows of resources difference of \$900.6 thousand is due to MSF reporting on a calendar year-end basis on financial statements with a 6-month subsequent contribution while a 12-month subsequent contribution is disclosed in Note 6.

## D. Defined Benefit Retirement Plans

The information below includes all defined benefit retirement plans administered by MPERA and TRS.

### (1) Plan Descriptions and Funding Policies

**Judges' Retirement System** – The JRS, administered by the MPERA, is a single-employer defined benefit plan established in 1967 and governed by Title 19, Chapters 2 & 5, MCA (Montana Code Annotated). This plan provides retirement benefits for all Montana judges of the district courts, justices of the Supreme Court, the Chief Water Judge, and the Associate Water Judge. Benefits are established by state law and can only be amended by the Legislature. The JRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation. Member rights are vested after five years of service.

#### Summary of Benefits

*Member's current salary<sup>1</sup> or highest average compensation (HAC)<sup>2</sup>*

<sup>1</sup>Hired prior to July 1, 1997, and did not elect Guaranteed Annual Benefit Adjustment (GABA) – monthly compensation at time of retirement;

<sup>2</sup>Hired on or after July 1, 1997, or electing GABA – HAC during any consecutive 36 months;

<sup>2</sup>Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

*Eligibility for benefit*

Age 60, 5 years of membership service;

Any age with 5 years of membership service – involuntary termination, actuarially reduced.

*Vesting*

5 years of membership service.

*Monthly benefit formula*

3.33% of current salary (non-GABA) or HAC (GABA) per year of service credit for the first 15 years of service credit, plus 1.785% per year for each year after 15 years.

*Guaranteed Annual Benefit Adjustment (GABA)*

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

*Minimum benefit adjustment (non-GABA)*

If hired prior to July 1, 1997, and member did not elect GABA – current salary of an active member in same position is used in the calculation of the monthly benefit each time the Legislature increases salaries for active judges.

#### Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system* – Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Plan members are required to contribute 7.0% of the member's monthly compensation.

*Employer contributions to the system* – During the 2021 Legislative Session, Senate Bill 175 was passed suspending the employer contributions beginning the first full pay period occurring in July 2021 through the last full pay period occurring in June 2023. Beginning July 1, 2023, employer contributions will then resume at a reduced rate of 14.00% down from the current statutory rate of 25.81%. If the funded ratio of the JRS drops below 120%, the employer contribution rate will return to 25.81%. This impacts measurement date June 30, 2022, for employer reporting date June 30, 2023.

**Highway Patrol Officers' Retirement System** – The HPORS, administered by the MPERA, is a single-employer defined benefit plan established on July 1, 1945, and governed by Title 19, Chapters 2 & 6, MCA. This plan provides retirement benefits to all members of the Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the Legislature. The HPORS provides retirement, disability, and death benefits to plan members and their statutory beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights for death and duty related disability are vested immediately. All other member rights are vested after 5 or 10 years of service.

Section 19-6-709, MCA provides eligible members retired prior to July 1, 1991, or their survivors, an annual supplemental lump-sum payment distributed each September. This lump-sum payment is funded by a statutory appropriation requested by the PERB from the General Fund. Factors impacting eligibility include the number of years the recipient has received a service retirement or disability benefit, the recipient's age, and whether the recipient is employed in a position covered by a retirement system under Title 19, MCA.

#### **Deferred Retirement Option Plan (DROP)**

Beginning October 1, 2015, eligible members of HPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 6, Part 10, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the HPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory employer contributions continue to the retirement system; mandatory employee contributions are deposited to the member's DROP account. A monthly benefit is calculated based on salary and years of service to date as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the Internal Revenue Service (IRS). If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2023, the balance held by MPERA for HPORS DROP participants was approximately \$6.9 million.

#### **Summary of Benefits**

##### *Member's highest average compensation (HAC)*

Hired prior to July 1, 2013 – HAC during any consecutive 36 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

##### *Eligibility for benefit*

20 years of membership service, regardless of age.

##### *Early Retirement*

Hired prior to July 1, 2013 – 5 years of membership service, actuarially reduced from age 60.

Hired on or after July 1, 2013 – 10 years of membership service, actuarially reduced from age 60.



*Second Retirement* (applies to retirement system members who return on or after July 1, 2017, to active service covered by the system from which they retired):

- a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - is not awarded service credit for the period of reemployment;
  - is refunded the accumulated contributions associated with the period of reemployment;
  - starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
  - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.
- b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
  - is awarded service credit for the period of reemployment;
  - starting the first month following termination of service, receives:
    - the same retirement benefit previously paid to the member; and
    - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
  - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
    - on the initial retirement benefit starting January immediately following second retirement; and
    - on the second retirement benefit starting in January after receiving that benefit for at least 12 months
- c. A member who returns to covered service is not eligible for a disability benefit.

#### *Vesting*

Hired prior to July 1, 2013 – 5 years of membership service.

Hired on or after July 1, 2013 – 10 years of membership service.

#### *Monthly benefit formula*

Retire prior to July 1, 2013 – 2.5% of HAC per year of service credit.

Retire on or after July 1, 2013 – 2.6% of HAC per year of service credit.

#### *Guaranteed Annual Benefit Adjustment (GABA)*

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Hired on or after July 1, 2013 – after the member has completed 36 full months of retirement, the member's benefit increases by a maximum of 1.5% each January, inclusive of all other adjustments to the member's benefit.

#### *Minimum Monthly Benefit (non-GABA)*

If hired prior to July 1, 1997, and member did not elect GABA – the minimum monthly benefit is equal to 2% of the service credit multiplied by the current base compensation of a probationary highway patrol officer. Any annual increase is limited to 5.0% over the current benefit and may not exceed 60% of the current base salary of a probationary officer.

### **Contributions to the Plan**

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system* – Contributions are deducted from each member's salary and remitted by participating employer.

Hired prior to July 1, 1997, and not electing GABA – Plan members are required to contribute 13.00%.

Hired after June 30, 1997, and electing GABA – Plan members are required to contribute 13.05%.

Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

*Employer contributions to the system* – As the employer, the State is required to contribute 38.33% of a member's compensation. The first 28.15% is payable from the same sources used to pay a member's compensation. The remaining amount, equal to 10.18%, is payable from the General Fund through a statutory appropriation. Employer contributions and state contributions (if any) must be paid on all working retirees.

**Game Wardens' & Peace Officers' Retirement System** – The GWPORS, administered by the MPERA, is a multi-employer, cost-sharing defined benefit plan established in 1963, and governed by Title 19, Chapters 2 & 8, MCA. This plan provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the Legislature. The GWPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation.

The State of Montana and its discretely presented component units are the only employers who participate in the GWPORS. Therefore, while the plan is considered to be a multi-employer, cost-sharing defined benefit plan for actuarial valuation purposes, in accordance with GASB 68, the plan is treated as if it were a single-employer defined benefit pension plan type for financial reporting.

### **Summary of Benefits**

*Member's highest average compensation (HAC)*

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

*Eligibility for benefit*

Service Retirement

Age 50 with 20 years of membership service.

*Early Retirement (reduced benefit)*

Age 55 with 5 years of membership service.

*Vesting*

5 years of membership service.

*Monthly benefit formula*

2.5% of HAC per year of service credit.

*Guaranteed Annual Benefit Adjustment (GABA)*

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

**Contributions to the Plan**

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system* – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.56% of member's compensation. Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

*Employer contributions to the system* – State agency and university employers are required to contribute 9.0% of a member's compensation. Employer contributions and state contributions (if any) must be paid on all working retirees.

**Public Employees' Retirement System - Defined Benefit Retirement Plan** – The PERS-DBRP, administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, Chapters 2 & 3, MCA. This plan covers employees of the State and local governments, and certain employees of the Montana University System and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System-Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation.

**Summary of Benefits***Member's highest average compensation (HAC)*

Hired prior to July 1, 2011 – HAC during any consecutive 36 months;

Hired on or after July 1, 2011 – HAC during any consecutive 60 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

*Eligibility for benefit*

Service retirement:

Hired prior to July 1, 2011 –

Age 60, 5 years of membership service;

Age 65, regardless of membership service; or

Any age, 30 years of membership service.

Hired on or after July 1, 2011 –

Age 65, 5 years of membership service;

Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011 –

Age 50, 5 years of membership service; or

Any age, 25 years of membership service.

Hired on or after July 1, 2011 – Age 55, 5 years of membership service.

Second retirement (all require returning to PERS-covered employment or PERS service):

Retire before January 1, 2016, and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016, and accumulate less than 5 years' additional service credit:

- A refund of member's contributions from second employment plus regular interest (0.22%);
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- GABA starts again in the January immediately following second retirement

Retire before January 1, 2016, and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving recalculated benefit for 12 months

Retire on or after January 1, 2016, and accumulate 5 or more years of additional service credit:

- The same retirement benefit as prior to their return to service;
- A second retirement benefit for second period of service based on laws in effect at second retirement;
- GABA starts on both benefits in the January after receiving the original and new benefit for 12 months

*Vesting*

5 years of membership service

*Monthly benefit formula*

Members hired prior to July 1, 2011 –

Less than 25 years of membership service: 1.785% of HAC per year of service credit;

25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011 –

Less than 10 years of membership service: 1.5% of HAC per year of service credit;

10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;

30 years or more of membership service: 2% of HAC per year of service credit.

*Guaranteed Annual Benefit Adjustment (GABA)* – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007, and June 30, 2013
- Members hired on or after July 1, 2013
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
  - 0% whenever the amortization period for PERS is 40 years or more.

## Contributions to the Plan

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system:* Contributions are deducted from each member's salary and remitted by participating Employers. Plan members are required to contribute 7.90% of the member's compensation. The 7.90% member contribution rate is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional Employer and additional member contribution rates.

### *Employer contributions to the system*

State and University System employers are required to contribute 9.07% of member compensation.

Local government entities are required to contribution 8.97% of member compensation.

School district employers contributed 8.70% of member compensation.

Per the 2013 Legislative Session's House Bill 454, section 4, effective July 1, 2013, PERS employer contributions temporarily increased 1%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The Employer additional contributions, including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. As of January 1, 2023, the additional contributions will not be terminated.

Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

### *Non-Employer Entity Contributions*

#### Special Funding

The State contributes 0.1% of member compensation on behalf of local government entities.

The State contributes 0.37% of member compensation on behalf of school district entities.

The State contributes a statutory appropriation from the General Fund. Funding provided for the plan's fiscal year ended June 30, 2022, totaled \$34.6 million.

**Sheriffs' Retirement System** – The SRS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, Chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation.

## Summary of Benefits

### *Member's highest average compensation (HAC)*

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

### *Eligibility for benefit*

Service Retirement: 20 years of membership service, regardless of age.

Early Retirement: Age 50, 5 years of membership service, actuarially reduced.

*Second Retirement* (applies to retirement system members re-employed in a SRS position on or after July 1, 2017):

- a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - is not awarded service credit for the period of reemployment;
  - is refunded the accumulated contributions associated with the period of reemployment;
  - starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
  - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.
- b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
  - is awarded service credit for the period of reemployment;
  - starting the first month following termination of service receives:
    - the same retirement benefit previously paid to the member; and
    - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
  - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
    - on the initial retirement benefit starting in January immediately following second retirement; and
    - on the second retirement benefit starting in January after receiving that benefit for at least 12 months
- c. A member who returns to covered service is not eligible for a disability benefit.

### *Vesting*

5 years of membership service

### *Monthly benefit formula*

2.5% of HAC per year of service

### *Guaranteed Annual Benefit Adjustment (GABA)*

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

## Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions and are a percentage of the member's compensation. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system* – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.495% of member's compensation. Member contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

*Employer contributions to the system* – The employers are required to contribute 13.115% of member compensation. Employer contributions are required to be paid on working retiree compensation.

**Municipal Police Officers' Retirement System** – The MPORS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1974 and is governed by Title 19, Chapters 2 & 9, MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and final average compensation.

## Deferred Retirement Option Plan (DROP)

Beginning July 2002, eligible members of the MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 9, Part 10, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2023, the balance held by MPERA for MPORS DROP participants was approximately \$10.6 million.

The State is not an employer participant in the MPORS plan. However, because the PERB is a fiduciary component unit of the State, this ACFR presents certain information to help ensure compliance with GASB 67. In addition, the State provides nonemployer entity contributions classified as special funding in accordance with GASB 68. Disclosures made in this financial report for MPORS are meant to reflect the aforementioned relationships.

## Summary of Benefits

### *Member's final average compensation (FAC)*

Hired prior to July 1, 1977 – average monthly compensation of final year of service.

Hired on or after July 1, 1977 – final average compensation (FAC) for last consecutive 36 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's FAC.

*Eligibility for benefit*

Service Retirement: Age 50, with 5 years of membership service, or 20 years of membership service, regardless of age.

Second Retirement: Age 50, reemployed in a MPORS position

*Vesting*

Death and disability rights are vested immediately.

5 years of membership service.

*Monthly benefit formula*

2.5% of FAC per year of service credit.

*Second retirement benefit formula* for members re-employed in a MPORS position after July 1, 2017:

- (1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - a. Is not awarded service credit for the period of reemployment;
  - b. Is refunded the accumulated contributions associated with the period of reemployment;
  - c. Starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
  - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- (2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
  - a. Is awarded service credit for the period of reemployment;
  - b. Starting the first month following termination of service receives:
    - i. The same retirement benefit previously paid to the member, and
    - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
  - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
    - i. On the initial retirement benefit in January immediately following second retirement, and
    - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- (3) A member who returns to covered service is not eligible for a disability benefit.

*Guaranteed Annual Benefit Adjustment (GABA)*

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

*Minimum benefit adjustment (non-GABA)* If hired before July 1, 1997, and member did not elect GABA – the monthly retirement, disability, or survivor's benefit may not be less than 50% of the compensation of a newly confirmed officer of the employer where the member was last employed.

**Contributions to the Plan**

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.



*Member contributions* – Contribution rates are dependent upon the date of hire as a police officer. Contributions are deducted from each member's salary and remitted by the participating Employer.

- If hired prior to July 1, 1975, member contributions as a percentage of salary are 5.80%;
- If hired after June 30, 1975, and prior to July 1, 1979, member contributions as a percentage of salary are 7.00%;
- If hired after June 30, 1979, and prior to July 1, 1997, member contributions as a percentage of salary are 8.50%; and,
- If hired on or after July 1, 1997, and for members electing GABA, member contributions as a percentage of salary are 9.00%.
- Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

*Employer Contributions* – Employers are required to contribute 14.41% of a member's compensation. Employer contributions and state contributions (if any) must be paid on all working retirees.

*Nonemployer Entity Contributions* – The State contributes 29.37% of a member's compensation from the General Fund. These amounts are considered a special funding situation in accordance with GASB 68.

**Firefighters' Unified Retirement System** – The FURS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, Chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation.

### **Summary of Benefits**

#### *Member's compensation*

Hired prior to July 1, 1981, and not electing GABA – highest monthly compensation (HMC);  
 Hired after June 30, 1981, and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.  
 Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.  
 Part-time firefighter – 15% of regular compensation of a newly confirmed full-time firefighter.

#### *Eligibility for benefit*

Service retirement: 20 years of membership service, regardless of age.  
 Early Retirement: Age 50, 5 years of membership service.

#### *Vesting*

Death and disability rights are vested immediately  
 5 years of membership service.

*Monthly benefit formula*

Members hired prior to July 1, 1981, and not electing GABA are entitled to the greater of:  
2.5% of HMC per year of service; or

- if less than 20 years of service – 2% of HMC for each year of service;
- if more than 20 years of service – 50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years.

Members hired on or after July 1, 1981, and those electing GABA: 2.5% of HAC per year of membership service.

*Guaranteed Annual Benefit Adjustment (GABA)*

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

*Minimum Benefit Adjustment (non-GABA)*

If hired before July 1, 1997, and the member did not elect GABA, the monthly retirement, disability, or survivor's benefit may not be less than 50% of the compensation of a newly confirmed active firefighter of the employer that last employed the member.

**Contributions to the Plan**

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system* – Contributions are deducted from each member's salary and remitted by the participating employer. For members:

Hired prior to July 1, 1997, and not electing GABA, member contributions as a percentage of salary are 9.50%;

Hired on or after July 1, 1997, and electing GABA, member contributions as a percentage of salary are 10.70%.

Member contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

*Employer contributions to the system* – Employers are required to contribute 14.36% of member's compensation. Employer contributions and state contributions (if any) must be paid on all working retirees.

*Nonemployer entity contributions to the system* – The State contributes 32.61% of a member's compensation from the General Fund.

**Volunteer Firefighters' Compensation Act** – The VFCA, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1965, and governed by Title 19, Chapter 17, MCA. All members are unpaid volunteers and the State is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability, and survivorship benefits for all eligible volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages, and includes volunteer fire departments, fire districts, and fire service areas under the laws of the State. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. The VFCA also provides limited benefits for death or injuries incurred in the line of duty. A member who chooses to retire and draw a pension benefit may return to service with a volunteer fire department without loss of benefits. However, a returning retired member may not be considered an active member accruing credit for service.

## Summary of Benefits

### *Eligibility for benefit*

Age 55, 20 years of credited service;  
Age 60, 10 years of credited service.

Effective July 1, 2011, members who retire on or after July 1, 2011, and have greater than 30 years of credited service will receive \$7.50 per month for each additional year of credited service over 30 years if the pension trust fund is actuarially sound, amortizing any unfunded liabilities in 20 years or less. This determination will be made annually and a member's benefit will be capped at \$250 a month (30 years of credited service) if the amortization period grows to greater than 20 years.

### *Vesting*

10 years of credited service.

### *Monthly benefit formula (effective January 1, 2016)*

\$8.75 per year of credited service up to 20 years;  
\$7.50 per year of credited service after 20 years

## Contributions to the Plan

The State, as a nonemployer contributing entity, is the only contributor to the VFCA. Contributions are 5% of fire insurance premium taxes collected on certain fire risks. This requires the plan to be treated as a special funding situation in accordance with GASB 68. The State Auditor makes annual payments from the General Fund to the VFCA fund. Rates are specified by state law for contributions to the VFCA plan. The State legislature has the authority to establish and amend contribution rates to the plan.

**Teachers' Retirement System** – The TRS is administered by the Teachers' Retirement Board (TRB), which is the governing body of a mandatory multiple-employer cost-sharing defined benefit pension plan that provides retirement services to persons in Montana employed as teachers or professional staff of any public elementary or secondary school, community college, or unit of the university system. The TRS, as an employer, does not participate in the plan and acts only as the administrator of the plan.

The TRB is the governing body of the TRS, and the TRS's staff administer the TRS in conformity with the laws set forth in Title 19, Chapter 20, MCA, and administrative rules set forth in Title 2, Chapter 44 of the Administrative Rules of Montana.

## Summary of Benefits

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Benefits are established by state law and can only be amended by the Legislature.

Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (AFC) (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)

- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation—1.85% of the AFC multiplied by the years of creditable service—for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than  $1.6667 \times \text{AFC} \times \text{years of creditable service}$ )

A guaranteed annual benefit adjustment (GABA) is payable on January 1 of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1. For Tier Two members, the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

### **Contributions to the System**

All active employees in the TRS, regardless of employer type, are required to provide a contribution equal to 8.15% of their compensation.

All State and University employers are required to contribute 11.75% of compensation provided to an active, non-reemployed member. All school districts and other employers are required to contribute 9.37% of an active, non-reemployed, member's compensation to the System.

Section 19-20-605, MCA, requires each employer to contribute 9.85% of total compensation paid to all reemployed TRS retirees employed in a TRS reportable position. Pursuant to Section 19-20-609, MCA, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of reemployed retiree compensation.

The TRS receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation, and the State is treated as a nonemployer contributing entity in the TRS. The System receives 0.11% of earned compensation from the General Fund for all TRS members. The TRS also receives 2.38% of earned compensation from the General Fund for TRS members employed at school districts, community colleges, educational cooperatives, and counties in Montana. Finally, the State is also required to contribute \$25.0 million in perpetuity payable July 1 of each year. The Legislature has the authority to establish and amend contribution rates to the plan.

### **(2) Actuarial Assumptions**

For all plans administered by MPERA, the total pension liability used to calculate the net pension liability/ (asset) for each plan was determined by an actuarial valuation as of June 30, 2022, applied to all periods included in the measurement. For the TRS plan, the total pension liability used to calculate the net pension liability as of June 30, 2022, is based on the results of an actuarial valuation as of July 1, 2022. No update procedures were used for MPERA or TRS to roll forward the total pension liability to the measurement date. The significant assumptions and other inputs used to measure the total pension liability were the following:

Plan	JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS
Administrator	MPERA								TRS
Valuation Date	June 30, 2022								July 1, 2022
Actuarial Experience Study	May 2022								
Inflation	2.75%								
Total Wage Increases, including inflation	3.50%	4.54% to 10.12%	4.54% to 10.12%	3.50% to 8.47%	4.54% to 10.12%	4.54% to 10.12%	4.54% to 10.12%	N/A	3.50% to 9.00% for non-university members 4.25% for university members
General Wage Growth	3.50%							N/A	3.50%
Merit Increase	None	1.00% to 6.40%	1.00% to 6.40%	0 to 4.80%	1.00% to 6.40%	1.00% to 6.40%	1.00% to 6.40%	N/A	0 to 5.50% for non-university members 0.75% for university members
Investment Return	7.30%								
Administrative Expense	\$55.6 thousand	\$77.3 thousand	\$168.9 thousand	\$4.7 million	\$239.3 thousand	\$160.2 thousand	\$130.9 thousand	\$331.8 thousand	\$3.6 million
Post-retirement Benefit Increases and GABA	7/1/1997 or elected GABA - 3.0%	7/1/1997 or elected GABA - 3.0% 7/1/2013 - 1.5%	Pre-7/1/2007 - 3.0% 7/1/2007 - 1.5%	Pre-7/1/2007 - 3.0% through 6/30/2013 - 1.5% 7/1/2013 - (a) 1.5% for each year if PERS is funded at or above 90%; (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and, (c) 0% whenever the amortization period is 40 years or more	Pre-7/1/2007 - 3.0% 7/1/2007 - 1.5%	7/1/1997 or elected GABA - 3.0%	7/1/1997 or elected GABA - 3.0%	N/A	Tier One members - 1.5% Tier Two members - equal to or greater than 0.5% but no more than 1.5%

Plan	JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS
Post-retirement Benefit Increases - Waiting Period	1 year	Pre-7/1/2013 - 1 year 7/1/2013 - 3 years	1 year	1 year	1 year	1 year	1 year	N/A	3 years
Post-retirement Benefit Increases - Minimum Benefit Adjustment	Pre-7/1/1997 and did not elect GABA: benefits increase same as salary of sitting judge.	Pre-7/1/1997 and did not elect GABA: 2% x service credits x base salary of probationary officer. Limited to 5.0% over current benefit and may not exceed 60% of base salary of probationary officer.	N/A	N/A	N/A	Pre-7/1/1997 and did not elect GABA - 1/2 of monthly salary of new officer	Pre-7/1/1997 and did not elect GABA - 1/2 of monthly salary of new firefighter	N/A	N/A

Plan	JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS
Mortality	<p><b>For PERS and JRS Plans</b></p> <p>Mortality among active participants is based on: PUB-2010 General Amount Weighted Employee Mortality Table projected to 2021 for males and females. Projected generationally using MP-2021.</p> <p>Mortality Table among disabled pensioners is based on: PUB-2010 General Amount Weighted Disabled Retiree Mortality Table, projected to 2021, set forward 1 year for both males and females.</p> <p>Mortality among beneficiaries is based on: PUB-2010 General Amount Weighted Contingent Survivor Mortality Table projected to 2021 with ages set forward 1 year for males and females. Projected generationally using MP-2021.</p> <p>Mortality Table among retired healthy pensioners is based on: PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.</p> <p><b>For Other Plans</b></p> <p>Mortality among contributing members is based on: PUB-2010 Safety Amount Weighted Employee Mortality Table projected to 2021 for males and females. Projected generationally using MP-2021.</p> <p>Mortality among service retired members is based on: PUB-2010 Safety Amount Weighted Healthy Retiree Mortality Table projected to 2021, set forward one year for males and adjusted 105% for males and 100% for females. Projected generationally using MP-2021.</p> <p>Mortality among beneficiaries is based on: PUB-2010 Safety Amount Weighted Contingent Survivor Mortality Table projected to 2021, set forward one year for males. Projected generationally using MP-2021.</p> <p>Mortality among disabled members is based on: PUB-2010 Safety Amount Weighted Disabled Retiree Mortality Table projected to 2021, set forward one year for males.</p>								<p>Mortality among contributing members is based on PUBT-2010 General Employee Mortality Table projected to 2021. Projected generationally using MP-2021. Mortality among service retired members is based on PUBT-2010 Retiree Mortality Table projected to 2021 adjusted 102% for males and 103% for females. Projected generationally using MP-2021. Mortality among beneficiaries is based on PUBT-2010 Contingent Survivor Mortality Table projected to 2021. Projected generationally using MP-2021. Mortality among disabled members is based on PUBT-2010 Disabled Retiree Mortality Table projected to 2021.</p>

*Changes in actuarial assumptions and methods:* For JRS, PERS-DBRP, SRS, MPORS, FURS, VFCA, HPORS, and TRS the discount rate was increased from 7.06% to 7.30%. For GWPORS, the discount rate was decreased from 7.06% to 5.55%. For JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS the investment rate of return was increased from 7.06% to 7.30%. For JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS the inflation rate was increased from 2.40% to 2.75%.

The payroll growth assumption was reduced from 3.50% to 3.25% for JRS, PERS-DBRP, GWPORS, FURS, HPORS, and MPORS. The mortality tables for PERS and JRS were updated to PUB-2010 tables for general employees. The mortality tables for GWPORS, FURS, HPORS, MPORS, SRS, and VFCA were updated to PUB-2010 for public safety employees. The mortality tables for TRS were updated to PUB-2010 for teachers.

Rates were updated for withdrawals, retirement, and disability for PERS and JRS. Rates were updated for withdrawals, retirement, disability retirement, and salary merit scales for GWPORS, FURS, MPORS, and SRS. Rates were updated for retirement, disability, and salary merit scales for HPORS. Retirement rates were updated for VFCA. Rates were updated for retirement, termination, and salary merit scales for TRS.

*Changes in benefit terms:* There have been no changes in benefit terms since the previous measurement date, for JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS.

*Changes in proportionate share:* Because the State is the single employer for JRS and HPORS, there were no changes in proportion of the net pension assets for JRS plan and the net pension liability for HPORS plan. Between the measurement date of the net pension liability (asset) and the State’s reporting

date, the investment rates of return of JRS and HPORS were higher than the investment rates of return assumption. Therefore, the State's net pension asset for JRS is expected to increase and the State's net pension liability for HPORS is expected to decrease.

*Changes in proportionate share:* Between the measurement date of the collective net pension liability and the State's reporting date, the investment rate of return of GWPORS was higher than the investment rate of return assumption. Therefore, the State's proportionate share of the collective net pension liability as the State's primary government employer, and the State's discretely presented component units are expected to change. The State still reports 100.0% GWPORS plan, and the total plan net pension liability is expected to decrease.

*Changes in proportionate share:* Between the measurement date of the collective net pension liability and the State's reporting date, the investment rates of return of PERS-DBRP, SRS, MPORS, FURS, and TRS plans were higher than the investment rates of return assumption. Therefore, the State's proportionate share amounts of the collective net pension liability as the State's employer and non-employer contributing entity in applicable plans is expected to decrease.

*Changes in proportionate share:* Because the State is the only contributing entity, there were no changes in proportion of the net pension liability for VFCA plan. The State reports 100.0% VFCA plan. Between the measurement date of the collective net pension liability and the non-employer's reporting date, the investment rate of return of VFCA was higher than the investment rate of return assumption. Therefore, the State's non-employer proportionate share of the collective net pension liability is expected to decrease.

### **(3) Discount Rate**

The discount rate used to measure the total pension liability was 7.30% for JRS, HPORS, and SRS. The discount rate used to measure the total pension liability was 5.55% for GWPORS. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, each pension plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2105 for JRS, 2129 for HPORS, 2122 for GWPORS, and 2127 for SRS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate incorporated in the discount rate for GWPORS was 3.37%. It was based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of June 30, 2022, and was applied to all periods of projected benefit payments after June 30, 2059. The municipal bond rate was not incorporated in the discount rate for JRS, SRS, and HPORS.

The discount rate used to measure the total pension liability for PERS-DBRP, MPORS, and FURS was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, each pension plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126 for PERS-DBRP, 2134 for MPORS, and 2133 for FURS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

The discount rate used for VFCA to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from the nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the VFCA's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2116. A municipal bond rate was not incorporated in the discount rate.



The discount rate used to measure the total pension liability for TRS was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entity will be made based on the TRB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the TRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

#### (4) Target Allocations

The long-term expected return on pension plan investments is reviewed as part of the regular experience study prepared for the JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, and VFCA plans administered by MPERA. The most recent analysis of each plan, performed for the six-year period ended June 30, 2021, is outlined in a report dated May 2, 2022, without consideration for the administrative expense shown. The report can be found on the MPERA website. The current long-term return on pension plan investments is reviewed as part of the regular experience studies prepared for the TRS. The most recent analysis performed for the period covering July 1, 2016, through June 30, 2021, is outlined in a report dated May 3, 2022, without consideration for the administrative expense analysis shown. The report can be found on the TRS website. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years. All the plans administered by MPERA and TRS have the same target allocation and long-term expected real rate of return. The target allocation and best estimates of the arithmetic real rates of return for each major asset class as of June 30, 2022, are summarized in the table below:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Domestic Equity	30.00%	5.90%
International Equity	17.00	7.14
Private Investments	15.00	9.13
Real Assets	5.00	4.03
Real Estate	9.00	5.41
Core Fixed Income	15.00	1.14
Non-Core Fixed Income	6.00	3.02
Cash	3.00	-0.33
Total	100.00%	

**(5) Change in Net Pension Liability (Asset)**

A schedule of changes in the net pension liability (asset) is presented for each of the single-employer defined benefit plans (amounts expressed in thousands). The date in the schedules is a measurement date, which is one year earlier than the financial reporting date.

	JRS		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at 6/30/2021	\$ 74,408	\$ 133,610	\$ (59,202)
Service costs	2,022	—	2,022
Interest	5,099	—	5,099
Difference between expected and actual experience	(2,782)	—	(2,782)
Changes of assumptions	(1,467)	—	(1,467)
Contributions – employer	—	79	(79)
Contributions – member	—	629	(629)
Net investment income	—	(5,547)	5,547
Benefit payments	(4,357)	(4,357)	—
Plan administrative expense	—	(56)	56
Net changes	(1,485)	(9,252)	7,767
Balances at 6/30/2022	<u>\$ 72,923</u>	<u>\$ 124,358</u>	<u>\$ (51,435)</u>

	HPORS		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2021	\$ 271,049	\$ 185,980	\$ 85,069
Service costs	4,089	—	4,089
Interest	18,597	—	18,597
Difference expected and actual experience	(2,487)	—	(2,487)
Changes in assumptions	(2,749)	—	(2,749)
Contributions – employer	—	6,639	(6,639)
Contributions – non-employer (State)	—	4,213	(4,213)
Contributions – member	—	2,285	(2,285)
Net investment income	—	(7,841)	7,841
Refund of contributions	(1,515)	(1,515)	—
Benefit payments	(13,743)	(13,743)	—
Plan administrative expense	—	(77)	77
Net changes	2,192	(10,039)	12,231
Balances at 6/30/2022	<u>\$ 273,241</u>	<u>\$ 175,941</u>	<u>\$ 97,300</u>

## GWORS

	<u>State as Primary Government Employer</u>			<u>State's Discretely Presented Component Units</u>			<u>Total State (Plan)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at 6/30/2021	\$ 292,440	\$ 261,405	\$ 31,035	\$ 13,410	\$ 11,987	\$ 1,423	\$ 305,850	\$ 273,392	\$ 32,458
Service costs	9,617	—	9,617	522	—	522	10,139	—	10,139
Interest	20,077	—	20,077	1,090	—	1,090	21,167	—	21,167
Difference between expected and actual experience	(1,213)	—	(1,213)	(66)	—	(66)	(1,279)	—	(1,279)
Changes in assumptions	84,515	—	84,515	4,588	—	4,588	89,103	—	89,103
Contributions – employer	—	4,687	(4,687)	—	254	(254)	—	4,941	(4,941)
Contributions – member	—	5,762	(5,762)	—	313	(313)	—	6,075	(6,075)
Net investment income	—	(11,117)	11,117	—	(603)	603	—	(11,720)	11,720
Refunds of contributions	(1,389)	(1,389)	—	(75)	(75)	—	(1,464)	(1,464)	—
Benefit payments	(10,071)	(10,071)	—	(547)	(547)	—	(10,618)	(10,618)	—
Plan administrative expense	—	(160)	160	—	(9)	9	—	(169)	169
Other changes <sup>(1)</sup>	(2,337)	(2,089)	(248)	2,337	2,089	248	—	—	—
Net changes	99,199	(14,377)	113,576	7,849	1,422	6,427	107,048	(12,955)	120,003
Balances at 6/30/2022	\$ 391,639	\$ 247,028	\$ 144,611	\$ 21,259	\$ 13,409	\$ 7,850	\$ 412,898	\$ 260,437	\$ 152,461

<sup>(1)</sup> The Changes in Net Pension Liability table is only provided at the system level. The ending balances and the components of the changes are derived from the primary government's proportionate share of the total plan balances and the discretely presented component unit's proportionate share of the total plan balances. Due to the change in proportionate share in each year, the other changes line item includes the difference between the proportionate share of the balances and the preliminary calculated balances.

## (6) Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability/(asset) to changes in the discount rate, the table below presents the net pension liability/(asset), of the plans administered by MPERA and TRS, calculated using the discount rate of 7.30% for all plans except GWPORS which uses 5.55%; as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1.00% lower (6.30% for for all plans except GWPORS using 4.55%) or 1.00% higher (8.30% for all plans except GWPORS using 6.55%) than the current rate.

**Sensitivity of the Plan Participating Employer and Nonemployer Contributing Entities  
Net Pension Liability (Asset) to Changes in the Discount Rate  
(amounts expressed in thousands)**

Plan		JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS	
Primary Government	State as Employer	1.0% Decrease	\$ (44,409)	\$ 136,019	\$ 212,041	\$ 1,388,275	\$ 10,849	\$ —	\$ 7,079	\$ —	\$ 24,685
		Current	(51,435)	97,300	144,611	963,045	6,670	—	4,084	—	17,672
		1.0% Increase	(57,498)	66,243	90,570	606,283	3,269	—	1,693	—	11,803
	State as NER	1.0% Decrease	—	—	—	474,435	—	238,564	186,017	10,910	963,530
		Current	—	—	—	329,115	—	158,319	107,328	5,223	689,790
		1.0% Increase	—	—	—	207,194	—	94,588	44,496	444	460,703
Discretely Presented Component Units	1.0% Decrease	—	—	11,510	265,733	—	—	—	—	28,627	
	Current	—	—	7,850	184,339	—	—	—	—	20,494	
	1.0% Increase	—	—	4,916	116,050	—	—	—	—	13,688	
Fiduciary Component Units	1.0% Decrease	—	—	—	2,718	—	—	—	—	—	
	Current	—	—	—	1,886	—	—	—	—	—	
	1.0% Increase	—	—	—	1,187	—	—	—	—	—	
Total	1.0% Decrease	(44,409)	136,019	223,551	2,131,161	10,849	238,564	193,096	10,910	1,016,842	
	Current	(51,435)	97,300	152,461	1,478,385	6,670	158,319	111,412	5,223	727,956	
	1.0% Increase	\$ (57,498)	\$ 66,243	\$ 95,486	\$ 930,714	\$ 3,269	\$ 94,588	\$ 46,189	\$ 444	\$ 486,194	

## (7) Net Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

In accordance with GASB 68, the employer is required to recognize and report certain amounts associated with its participation in the JRS, HPORS, and GWPORS, the plans the State participates in as a single-employer. GASB 68 became effective June 30, 2015, and includes requirements for participant to record and report its net pension liability (NPL) or net pension asset (NPA), pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. In accordance with GASB 68, employers and the nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. The proportionate shares were determined based on contributions made to the plan by employers and the nonemployer contributing entity in a special funding situation, when a plan has the nonemployer contributing entity, during the measurement period July 1, 2021, through June 30, 2022, relative to the total contributions received from all participating employers and the nonemployer contributing entity. Due to the existence of the special funding situation in the PERS-DBRP, FURS, MPORS, VFCA, and TRS, the State is required to report a proportionate share of the collective net pension liability that is associated with the non-State employers in these plans, respectively.

**Net Pension Liability (Asset):** The following presents the state's net pension liability as of June 30, 2023 (amounts presented in thousands):

Plan as of Measurement Date		Net Pension Liability (Asset) as of 6/30/2021	Net Pension Liability (Asset) as of 6/30/2022	Percent of NPL/NPA as of 6/30/2021	Percent of NPL/NPA as of 6/30/2022	Change in Percent of NPL/NPA
JRS	Primary government	\$ (59,202)	\$ (51,435)	100.00 %	100.00 %	— %
HPORS	Primary government	85,069	97,300	100.00 %	100.00 %	— %
GWPORS	Primary government	31,035	144,611	95.62 %	94.85 %	(0.77)%
	Discretely presented component units	<u>1,423</u>	<u>7,850</u>	<u>4.38 %</u>	<u>5.15 %</u>	<u>0.77 %</u>
	State of Montana totals	32,458	152,461	100.00 %	100.00 %	— %

**Collective Net Pension Liability:** The following presents the state's proportionate share of the collective net pension liability as of June 30, 2023 (amounts presented in thousands).

Plan as of Measurement Date		Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
PERS-DBRP	Primary government	\$ 775,391	\$ 963,045	42.76 %	40.50 %	(2.26)%
	Discretely presented component units	139,999	184,339	7.72 %	7.75 %	0.03 %
	Fiduciary component units	1,417	1,886	0.08 %	0.08 %	— %
	Nonemployer contributing entity	<u>238,887</u>	<u>329,115</u>	<u>13.17 %</u>	<u>13.84 %</u>	<u>0.67 %</u>
	State of Montana totals	1,155,694	1,478,385	63.73 %	62.17 %	(1.56)%
SRS	Primary government	3,709	6,670	5.09 %	4.87 %	(0.22)%
MPORS	Nonemployer contributing entity	121,842	158,319	67.02 %	67.02 %	— %
FURS	Primary government	2,151	4,084	2.51 %	2.57 %	0.06 %
	Nonemployer contributing entity	<u>57,910</u>	<u>107,328</u>	<u>67.67 %</u>	<u>67.57 %</u>	<u>(0.10)%</u>
	State of Montana totals	60,061	111,412	70.18 %	70.14 %	(0.04)%
VFCA	Nonemployer contributing entity	1,323	5,223	100.00 %	100.00 %	— %
TRS	Primary government	16,872	17,672	1.02 %	0.90 %	(0.12)%
	Discretely presented component units	19,002	20,494	1.15 %	1.04 %	(0.11)%
	Nonemployer contributing entity	<u>592,396</u>	<u>689,790</u>	<u>35.76 %</u>	<u>35.07 %</u>	<u>(0.69)%</u>
	State of Montana totals	628,270	727,956	37.93 %	37.01 %	(0.92)%

### Pension Expense

The State recognized the following pension expenses for the State as the primary government employer, the State's discretely presented component units, and the State's fiduciary component units, and pension grant expenses for the State as nonemployer contributing entity, for the year ended June 30, 2023 (amounts presented in thousands):

Plan	Primary Government				Total
	State as Employer	State as Nonemployer Contributing Entity	Discretely Presented Component Units	Fiduciary Component Units	
JRS	\$ (2,272)	\$ —	\$ —	\$ —	(2,272)
HPORS	10,742	—	—	—	10,742
GWPORS	27,359	—	1,491	—	28,850
PERS-DBRP <sup>(1)</sup>	92,638	29,332	26,356	311	148,637
SRS	1,137	—	—	—	1,137
MPORS <sup>(2)</sup>	—	27,108	—	—	27,108
FURS <sup>(3)</sup>	873	21,963	—	—	22,836
VFCA <sup>(4)</sup>	—	1,829	—	—	1,829
TRS <sup>(5)</sup>	1,024	37,507	12,096	—	50,627

<sup>(1)</sup> Of the total pension expense for the State as a nonemployer contributing entity, \$1.3 million is the grant expense for special funding support provided by the General Fund to local government and school district participants, \$35.0 million is the grant expense for special funding support provided by the General Fund as a statutory appropriation for all participating employers; -\$7.0 million is the pension expense that is actuarially allocated to the State as a nonemployer contributing entity.

<sup>(2)</sup> The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective MPORS pension expense that is associated with other employer participants in the plan.

<sup>(3)</sup> The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective FURS pension expense that is associated with other employer participants in the plan.

<sup>(4)</sup> The grant expense for the State as a nonemployer contributing entity is for special funding support provided by a portion of fire tax premiums paid to the State and transferred to MPERA for its proportionate share of the collective VFCA pension expense that is associated with other employer participants in the plan.

<sup>(5)</sup> The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective TRS pension expense that is associated with other employer participants in the plan.

### Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of the fiscal year ended June 30, 2023, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts presented in thousands):

JRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 188	\$ 2,152
Changes of assumptions	1,413	1,100
Net difference between projected and actual earnings on pension plan investments	1,485	—
<b>Totals</b>	<b>\$ 3,086</b>	<b>\$ 3,252</b>

HPORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 956	\$ 2,114
Changes of assumptions	35,264	64,686
Net difference between projected and actual earnings on pension plan investments	2,034	—
Contributions subsequent to the measurement date	7,107	—
<b>Totals</b>	<b>\$ 45,361</b>	<b>\$ 66,800</b>

GWPORS	Primary Government		Discretely Presented Component Units		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,337	\$ 2,576	\$ 127	\$ 140	\$ 2,464	\$ 2,716
Changes in assumptions	96,003	32,576	5,211	1,768	101,214	34,344
Net difference between projected and actual earnings on pension plan investments	3,374	—	183	—	3,557	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	837	975	138	—	975	975
Contributions subsequent to the measurement date	4,957	—	299	—	5,256	—
<b>Totals</b>	<b>\$ 107,508</b>	<b>\$ 36,127</b>	<b>\$ 5,958</b>	<b>\$ 1,908</b>	<b>\$ 113,466</b>	<b>\$ 38,035</b>

PERS-DBRP	Primary Government				Discretely Presented Component Units		Fiduciary Component Units	
	State as Employer		State as Nonemployer Contributing Entity		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources				
Difference between expected and actual experience	\$ 12,277	\$ —	\$ 4,195	\$ —	\$ 2,350	\$ —	\$ 24	\$ —
Change of assumptions	35,889	70,504	12,265	24,094	6,870	13,495	70	138
Net difference between projected and actual earnings on pension plan investments	28,303	—	9,673	—	5,418	—	55	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,874	28,033	6,860	4,577	1,525	464	56	1
Contributions subsequent to the measurement date	66,556	—	22,482	—	14,224	—	136	—
<b>Totals</b>	<b>\$ 147,899</b>	<b>\$ 98,537</b>	<b>\$ 55,475</b>	<b>\$ 28,671</b>	<b>\$ 30,387</b>	<b>\$ 13,959</b>	<b>\$ 341</b>	<b>\$ 139</b>



SRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 924	\$ —
Changes of assumptions	960	161
Net difference between projected and actual earnings on pension plan investments	283	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	6	—
Contributions subsequent to the measurement date	682	—
<b>Totals</b>	<b>\$ 2,855</b>	<b>\$ 161</b>

MPORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 704	\$ 829
Change of assumptions	13,972	3,039
Net difference between projected and actual earnings on pension plan investments	5,767	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,285	2,213
Contributions subsequent to the measurement date	19,621	—
<b>Totals</b>	<b>\$ 42,349</b>	<b>\$ 6,081</b>

FURS	Primary Government			
	State as Employer		State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 356	\$ 8	\$ 9,361	\$ 210
Change of assumptions	1,061	—	27,893	—
Net difference between projected and actual earnings on pension plan investments	257	—	6,741	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	264	11	1,768	2,289
Contributions subsequent to the measurement date	811	—	20,821	—
<b>Totals</b>	<b>\$ 2,749</b>	<b>\$ 19</b>	<b>\$ 66,584</b>	<b>\$ 2,499</b>

VFCA	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 48	\$ 2,878
Change of assumptions	3,865	—
Net difference between projected and actual earnings on pension plan investments	678	—
Contributions subsequent to the measurement date	3,145	—
<b>Totals</b>	<b>\$ 7,736</b>	<b>\$ 2,878</b>

TRS	Primary Government				Discretely Presented Component Units	
	State as Employer		State as Nonemployer Contributing Entity		Deferred Outflows of Resources	Deferred Inflows of Resources
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources		
Difference between expected and actual experience	\$ 259	\$ —	\$ 10,110	\$ —	\$ 300	\$ —
Change of assumptions	903	1,616	35,254	63,056	1,047	1,873
Net difference between projected and actual earnings on pension plan investments	413	—	16,134	—	479	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	373	2,133	7,385	35,484	14,191	58
Contributions subsequent to the measurement date	1,461	—	48,159	—	15,707	—
<b>Totals</b>	<b>\$ 3,409</b>	<b>\$ 3,749</b>	<b>\$ 117,042</b>	<b>\$ 98,540</b>	<b>\$ 31,724</b>	<b>\$ 1,931</b>

The amounts reported in the tables above as deferred outflows of resources related to pensions resulting from the contributions made subsequent to the June 30, 2022, measurement date will be recognized as a reduction of the net pension liability (asset) in the fiscal year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts presented in thousands):

Year ended June 30:	JRS	HPORS	SRS	MPORS	VFCA
2024	\$ 30	\$ 3,046	\$ 681	\$ 8,900	\$ 863
2025	(789)	(32,562)	584	3,271	216
2026	(2,377)	(3,209)	214	(4,093)	(456)
2027	2,970	4,179	533	8,569	1,090
2028	—	—	—	—	—
Thereafter	—	—	—	—	—

Year ended June 30:	GWPORS		
	Primary Government	Discretely Presented Component Units	Total
2024	\$ 21,010	\$ 1,150	\$ 22,160
2025	21,189	1,168	22,357
2026	18,348	1,114	19,462
2027	5,877	319	6,196
2028	—	—	—
Thereafter	—	—	—

Year ended June 30:	PERS-DBRP			
	Primary Government		Discretely Presented Component Units	Fiduciary Component Units
	State as Employer	State as Nonemployer Contributing Entity		
2024	\$ 4,498	\$ 844	\$ 2,859	\$ 68
2025	(55,606)	(8,112)	(7,147)	(69)
2026	(30,527)	(10,432)	(5,843)	(59)
2027	64,441	22,022	12,335	126
2028	—	—	—	—
Thereafter	—	—	—	—

Year ended June 30:	FURS	
	Primary Government	
	State as Employer	State as Nonemployer Contributing Entity
2024	\$ 433	\$ 10,272
2025	309	7,291
2026	240	4,050
2027	725	16,809
2028	212	4,842
Thereafter	—	—

Year ended June 30:	TRS		
	Primary Government		Discretely Presented Component Units
	State as Employer	State as Nonemployer Contributing Entity	
2024	\$ (284)	\$ (3,804)	\$ 7,399
2025	(919)	(21,103)	3,780
2026	(1,544)	(42,746)	1,606
2027	946	37,996	1,301
2028	—	—	—
Thereafter	—	—	—

## E. Legal Actuarial Status of Plans

The Montana Constitution, Article VIII, Section 15, and Section 19-2-409, MCA state that public retirement systems shall be funded on an actuarially sound basis. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost, in addition to amortizing the unfunded liability over a period not to exceed 30 years, except that with respect to Judges' Retirement System (JRS), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), and Game Wardens' and Peace Officers' Retirement System (GWPORS), the unfunded liabilities must be paid using the layered amortization approach with a 25-year closed amortization period for the legacy unfunded liability as of June 30, 2023, and 10-year closed amortization period for contemporary unfunded liability which is the incremental change in the unfunded liability in the subsequent actuarial valuations.

A traditional funding actuarial valuation of each of the defined benefit plans is performed annually. The purpose of the traditional funding actuarial valuation is to measure funding progress and to determine the actuarial determined contribution, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position. The most recent actuarial valuation was performed for fiscal year ended June 30, 2023. The statutory funding rate is tested in the valuation of each public retirement plan to determine if it is sufficient to cover the normal cost rate plus an amortization payment of the unfunded actuarial liability, if any, within 30 years or 25 years for JRS, HPORS, SRS, and GWPORS. Note 17 Subsequent Events, provides information regarding a one time supplemental funding for JRS, HPORS, and GWPORS to be made in FY2024. As of June 30, 2023, all the public retirement systems were in compliance with the state law.

## F. Public Employee Defined Contribution Retirement Plans

**Public Employees' Retirement System-Defined Contribution Retirement Plan** – The Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) is a multiple Employer plan established July 1, 2002, and governed by Title 19, Chapters 2 & 3, MCA. This plan is available to eligible employees of the State, Montana University System, local governments, and school districts. All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to transfer to the PERS-DCRP, or remain in the PERS-DBRP, by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. The PERS-DCRP provides retirement, disability, and death benefits to plan members and their beneficiaries.

Member and employer contribution rates are established by state law and may be amended only by the Legislature. Employees contribute at a rate of 7.90% of their compensation. Contributions made to the plan by an employee remain 100% vested in their interest. Members who achieve 5 years of employment are vested in the plan. Should they terminate prior to this 5-year period, all employer contributions are forfeited to the plan. Amounts forfeited are held in a separate plan forfeiture account and can only be used to pay the administrative expenses, including startup costs, of the plan. Total pension expense for the State as a PERS-DCRP employer for the year ended June 30, 2023, is \$10.8 million and, contribution forfeitures were \$806.9 thousand.

Local government entities contribute 8.97% of member compensation. School district employers contributed 8.70% of member compensation. The State contributes 0.10% of member compensation on behalf of local government entities and 0.37% of member compensation on behalf of school district entities. Each State agency and University employer contributed 9.07% of member compensation.

The total contribution rate of 9.07%, referenced in the preceding paragraph, is allocated as follows: 8.73% to the member's retirement account; 0.04% to the defined contribution education fund; and 0.30% to the defined contribution Other Post Employment Benefit (OPEB) disability plan.

The PERS-DCRP also administers an OPEB disability plan. Refer to PERB's annual financial report for additional information related to this portion of the plan.

### **G. Montana University System Retirement Program**

**Montana University System-Retirement Program (MUS-RP)** – This system was established in January 1988 and is underwritten by the Teachers Insurance and Annuity Association (TIAA). Effective July 1, 1993, MUS-RP was made the mandatory retirement plan for new faculty and administrative staff with contracts under the authority of the Board of Regents, previously referred to as the Optional Retirement Program (ORP). The MUS-RP is a defined contribution retirement plan governed by Title 19, Chapter 21, MCA. Combined contributions to the faculty and professional staff plan cannot exceed 13% of the participant's compensation per Section 19-21-203, MCA. Combined contributions to the classified staff plan are 16.97% less 0.04% for education programming paid to Montana Public Employee Retirement Administration (MPERA) per Section 19-3-316, MCA and Section 19-3-315, MCA. The employer contribution to the MUS-RP for classified staff increases 0.10% annually in July per statute.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses, and investment allocations by the participant. Individuals are immediately vested for both employee and employer contributions. The Montana University System records employee/employer contributions, and remits monies to TIAA. Total contributions made to the plan by the employer were \$19.4 million, and the total employee contributions were \$22.2 million for the fiscal year ended June 30, 2023.

### **H. 457(b)-Deferred Compensation Plan**

The 457(b)-Deferred Compensation Plan (457(b) Plan) is an Other Employee Benefit Plan established in 1974. The Deferred Compensation Plan is governed by Title 19, Chapter 50, MCA, in accordance with Internal Revenue Code (IRC) Section 457. The plan is available to all employees of the State, Montana University System, and contracting political subdivisions. The State and 72 non-state entity employers participate in the 457(b)-Plan.

Assets of the Deferred Compensation Plan are required to be held in trusts, custodial accounts, or insurance company contracts for the exclusive benefit of participants and their beneficiaries. Empower Retirement™ is the record keeper for the plan. Participants elect to defer a portion of their salary, within IRC limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed, provided IRS-specified criteria are met.

### **I. Method Used to Value Investments**

The Montana Board of Investments (BOI) manages the investments, as authorized by state law, for the defined benefit retirement plans in two investment pools, the Consolidated Asset Pension Pool (CAPP) and the Short-Term Investment Pool (STIP). CAPP is an internal investment pool and STIP is an external investment pool. Each retirement plan's ownership in the pools is based on the funds contributed. Individual investments in the pools are not specifically identified to the respective retirement plan. Investments are reported at either fair value or cost, depending on the underlying investment type. Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Mortgages classified in Level 3 are present value adjusted. Investment valuation not classified within the fair value measurement levels are reported at Net Asset Value or cost. Further detail related to investments is provided in Note 3.

### **J. Long-term Contracts for Contributions**

Per Section 19-2-706, MCA, the Montana Legislature enacted a provision of the Employee Protection Act (EPA) allowing state and university system employees who are eligible for a service retirement and whose

positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of “1-for-5” additional service. In fiscal year 2023, 303 employees participated in the program.

The Employer has up to ten years to complete payment for the service purchases and is charged the actuarially required rate of return as established by MPERA on the unpaid balance. Total contributions received (including interest) during fiscal year 2023 totaled \$630.1 thousand. The outstanding balance at June 30, 2023, totaled \$18.1 thousand.

## **K. Litigation**

***Consolidated MPERB v. Lewis and Clark County and Montana Association of Counties (MACo), Lewis and Clark County, and Cascade County V. MPERB and MPERA.*** On May 1, 2020, the MPERB filed a Complaint for Declaratory Relief in the First Judicial District against Lewis and Clark County. This complaint asks the District Court to rule that Article VIII, § 15 of the Montana Constitution vests the Montana Public Employees' Retirement Board with the authority to: 1) actuarially determine the amount of the unfunded pension liabilities attributable to a component unit of the Lewis and Clark County that has terminated its participation in a MPERB administered defined benefit plan; and 2) compel the payment of this unfunded pension liability upon this component unit's termination. On June 1, 2020, the MPERB filed its First Amended Complaint amending its original pleading to add a claim for breach of contract.

The MACo filed a Complaint for Declaratory Judgment, Injunctive Relief, and a Writ of Prohibition against the MPERB and MPERA in the First Judicial District Court of Lewis and Clark County related to the same underlying issue that caused MPERA to initiate its action against Lewis and Clark County. This Complaint asked the District Court to rule that: 1) Article VIII, § 15 of the Montana Constitution does not vest the MPERB with the authority to determine and collect unfunded pension liabilities owed to the PERS trust as a result of partial withdrawals of employees or reductions in force; 2) the 1947 Contract between the MPERB and Lewis and Clark County and Cascade County, as well as other similar agreements between the MPERB and all other Montana counties, does not vest the MPERB with the authority to determine and collect unfunded pension liabilities owed to the PERS trust as a result of partial withdrawals of employees or reductions in force; 3) MACo is entitled to a preliminary and permanent injunction enjoining the MPERB from assessing withdrawal penalties against Montana counties; and 4) MACo is entitled to a Writ of Prohibition barring the MPERB from assessing withdrawal penalties against Montana counties. On May 15, 2020, MACo filed a First Amended Complaint and added the additional parties of Lewis and Clark County and Cascade County to this action as plaintiffs as well as additional claims for breach of express and implied contract.

On May 13, 2020, Lewis and Clark County filed a motion to dismiss the MPERB's Complaint and followed that on June 18, 2020, with a motion to dismiss MPERB's 1st Amended Complaint. Likewise, on June 25, 2020, the MPERB filed a motion to dismiss, or in alternative, a motion for partial summary judgment, several of the counts in the MACo suit. Both cases were subsequently consolidated into a single action by the Court on February 22, 2021.

On February 1, 2022, the district court ruled on the respective motions of the parties. In the only real narrowing of the case, the District Court cited statute that the State cannot be held liable under theories of implied contract to dismiss the counties' claim against the MPERB for breach of the covenant of good faith and fair dealing. The parties filed their respective answers on February 25, 2022, and are now conducting discovery.

In the opinion of management and legal counsel, the disposition of unfunded actuarial accrued liabilities owed to PERS in the consolidated Lewis and Clark County and the Montana Association of Counties (MACo) case, will have a material, adverse effect on the PERS plan's financial position as a whole should the Court rule against MPERA and the MPERB. An estimate of the potential liability for the Lewis and Clark County and MACo case cannot presently be made.

As of June 30, 2023, TRS has no pending litigation that would significantly affect the information presented in this financial report.

## **NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

### **A. General Information Non-trust Plans**

The State of Montana (State) and the Montana University System (MUS) provide optional postemployment healthcare benefits in accordance with Section 2-18-704, MCA to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Medical, dental, and vision benefits are available through this plan. The State and MUS offer OPEB plans that are not administered through trusts; as such, there are no plan assets accumulated to offset the total OPEB liability.

In accordance with Section 2-18-704, MCA, the State provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from the Public Employees' Retirement System (PERS) or various other State retirement systems, and elect to start medical coverage within 60 days of leaving employment. Retirement eligibility criteria differ by state retirement plan. Further detail on state retirement plans is provided in Note 6. MUS provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from their plan, or an annuity under the MUS-RP, and have been employed by MUS for at least five years, are age 50, or have worked 25 years with MUS. They must elect to start medical coverage within 60 days of leaving employment. Spouses, unmarried dependent children, and surviving spouses are also eligible for both plans.

Montana State Fund, a discretely presented component of the State and participant in the State OPEB plan, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting period, there will be a variance between the note disclosures and the financial statements for OPEB related information.

### **B. Plan Descriptions**

Both healthcare OPEB plans for the State and MUS are reported as single-employer plans. In addition to the primary government, the participating employers under the State OPEB plan are Facility Finance Authority, Montana Board of Housing, Public Employees' Retirement System, Montana State Fund, and Teachers' Retirement System. The participating employers under the MUS OPEB plan are Office of Commissioner of Higher Education (OCHE), Montana State University - Billings (MSU-Billings), Montana State University - Bozeman (MSU-Bozeman), Great Falls College MSU, Montana State University - Northern (MSU-Northern), Montana Technological University, Helena College UM, University of Montana - Missoula (UM-Missoula), and University of Montana - Western (UM-Western). Participating employers under MUS, but excluded from the total OPEB liability due to not qualifying as component units, are Dawson Community College (Dawson CC), Flathead Valley Community College (Flathead CC), and Miles Community College (Miles CC). Each participating employer is required to disclose additional information as required per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75).

The State and MUS pay for post-employment healthcare benefits on a pay-as-you-go basis. Section 2-18-812, MCA gives authority for establishing and amending the funding policy to the Department of Administration for the State group health insurance plan. Section 20-25-1310, MCA gives authority for establishing and amending the funding policy to the Board of Regents for the MUS group health insurance plan. The healthcare OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in reporting the total OPEB liability in the related financial statements and note disclosures. Reported contributions are not a result of direct funding to the plans or for associated liabilities, but are a measure of the difference in retiree payments into the plans and actual medical costs associated with those individuals paid for by the plans.

As of December 31, 2022, the State OPEB plan's administratively established retiree medical premiums vary between \$466.00 and \$2,272.00 per month, depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between \$41.10 and

\$70.00 per month and vision hardware premiums vary between \$7.64 and \$22.26 per month, depending on the coverage selected. The plan provides different coinsurance amounts and deductibles depending on whether members use participating or non-participating providers. Once retiree members become Medicare eligible, the plan automatically processes claim reimbursement as the secondary insurer, even if the member is not enrolled in Medicare. A basic life insurance plan on the life of the retiree is also included with a retiree's core benefits until the retiree reaches age 65 or is eligible for Medicare.

As of June 30, 2023, the MUS OPEB plan's administratively established retiree medical premiums vary between \$368.00 and \$2,452.00 per month. Retiree dental premiums vary between \$52.00 and \$156.00 per month, while vision premiums vary from \$10.70 to \$31.18, depending on the types and number of dependents enrolled and which medical Third Party Administrator (TPA) was selected. The plan provides different coinsurance amounts and deductibles depending on whether members use in-network or out-of-network providers. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare. The premium changes were based on actual claims experience and actuarial projections based on the experience and trends.

### C. Basis of Accounting

Total OPEB liability is reported on an accrual basis on the proprietary and fiduciary fund financial statements, the government-wide financial statements, and the component unit financial statements. Total OPEB liability is not reported on the governmental fund financial statements, as it is considered a long-term liability. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Both OPEB plans state, that an employee enrolled in the OPEB plan, who (a) at least meets the early retirement criteria defined by Montana Public Employees' Retirement Administration (MPERA); and (b) makes arrangements with their respective benefit office, within 60 days of the date active employee coverage ends, to continue post-retirement coverage, may continue with the OPEB plan on a self-pay basis, retroactive back to the date active employee coverage was lost, and adhere to these provisions. Therefore, each plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2023.

The number of State Plan participants as of December 31, 2022, follows:

Enrollment	State Plan Participants						Total
	State <sup>(1)</sup>	Facility Finance Authority <sup>(2)</sup>	Montana Board of Housing <sup>(2)</sup>	Public Employee Retirement Board <sup>(3)</sup>	Montana State Fund <sup>(2)</sup>	Teachers Retirement System <sup>(3)</sup>	
Active employees	11,716	2	30	47	275	22	12,092
Retired employees, spouses, and surviving spouses	1,967	2	3	1	22	2	1,997
<b>Total</b>	<b>13,683</b>	<b>4</b>	<b>33</b>	<b>48</b>	<b>297</b>	<b>24</b>	<b>14,089</b>

The number of MUS Plan participants as of December 31, 2022, follows:

Enrollment	MUS Plan Participants									Total
	MSU-GFC <sup>(2)</sup>	UM-HC <sup>(2)</sup>	MSU-Billings <sup>(2)</sup>	MSU-Bozeman <sup>(2)</sup>	MSU-Northern <sup>(2)</sup>	OCHE <sup>(1)</sup>	UM-Missoula <sup>(2)</sup>	UM-MT Tech <sup>(2)</sup>	UM-Western <sup>(2)</sup>	
Active employees	98	76	421	2,955	158	50	1,872	365	180	6,175
Retired employees, spouses, and surviving spouses	7	14	103	433	31	13	458	83	49	1,191
<b>Total</b>	<b>105</b>	<b>90</b>	<b>524</b>	<b>3,388</b>	<b>189</b>	<b>63</b>	<b>2,330</b>	<b>448</b>	<b>229</b>	<b>7,366</b>

<sup>(1)</sup> Primary Government

<sup>(2)</sup> Discretely Presented Component Units of Primary Government

<sup>(3)</sup> Fiduciary Component Units of Primary Government



## D. Schedule of Changes in Total OPEB Liability

The following table presents the other items related to and changes in the total OPEB liability:

**Annual OPEB Cost & Changes in Total OPEB liability**  
(in thousands)

	State Plan			MUS Plan		
	Primary Government Total OPEB Liability	Discrete Component Unit and Fiduciary Component Unit Total OPEB Liability	Total State Plan	Primary Government Total OPEB Liability	Discrete Component Unit Total OPEB Liability	Total MUS Plan
Balances at 6/30/2022	\$ 120,087	\$ 3,549	\$ 123,636	\$ 465	\$ 47,110	\$ 47,575
Changes for the year:						
Service cost	5,571	176	5,747	18	2,191	2,209
Interest	4,123	122	4,245	17	1,632	1,649
Difference between expected and actual experience	(55,270)	(1,453)	(56,723)	193	21,594	21,787
Changes of assumptions or other inputs	(42,351)	(1,257)	(43,608)	(315)	(36,487)	(36,802)
Benefit payments	(2,234)	(66)	(2,300)	—	—	—
Net changes	(90,161)	(2,478)	(92,639)	(87)	(11,070)	(11,157)
Balances at 6/30/2023 <sup>(1)</sup>	\$ 29,926	\$ 1,071	\$ 30,997	\$ 378	\$ 36,040	\$ 36,418

<sup>(1)</sup> State, fiduciary component units, and discretely presented component units proportion of the collective total OPEB liability as of the measurement date for fiscal years 2022 and 2023 for the State Plan was 100% both years and for the MUS Plan is 95.18% and 95.45%, respectively.

## E. Actuarial Methods and Assumptions

The total OPEB liability (TOL) measured under GASB 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go public entity, GASB 75 requires a 20-year current municipal bond discount rate to establish an Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions. Actuarially determined amounts are subject to continual revisions, meaning actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future.

The schedule of changes in the State's and MUS's TOL and related ratios, presented as required supplementary information following the notes to the financial statements is designed to present multi-year trend information about whether the actuarial value of plan TOL is increasing or decreasing over time relative to the actuarial liabilities for benefits. The schedule of changes in the State's and MUS's TOL and related ratios are based on the substantive plan (the plan as understood by the employer and the plan members). This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The State's OPEB Plan TOL on December 31, 2022, rolled forward to March 31, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Other Postemployment Benefits  
State Single Employer Plan**

	<u>Retiree/Surviving Spouse</u>	<u>Spouse</u>
Contributions (weighted average):		
Before Medicare eligibility	\$ 15,372	\$ 7,370
After Medicare eligibility	5,592	5,213
Actuarial valuation date	December 31, 2022	
Experience study period	January 1, 2022, through December 31, 2022	
Actuarial measurement date <sup>(1)</sup>	March 31, 2023	
Actuarial cost method	Entry age normal funding method	
Amortization method	Level percent of payroll, open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	3.98%	
Projected payroll increases	3.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
Marital status at retirement	70.00%	

<sup>(1)</sup> Updated procedures were used to roll forward the total OPEB liability to the measurement date.

**Mortality - Contributing Members:** For TRS employees, mortality follows the Pub-2010 Teacher table, projected generationally using MP-2021. For general MPERA members, mortality follows the Pub-2010 General Employee table, projected generationally using MP-2021. For safety MPERA members, mortality follows the Pub-2010 Safety table, projected generationally using MP-2021.

**Mortality - Retired:** For TRS retirees, mortality follows the Pub-2010 Retired Teacher table adjusted 102% for males and 103% for females, projected generationally using MP-2021. For general MPERA retirees, mortality follows the Pub-2010 General Retiree table set forward 1 year and adjusted 104% for males, or adjusted 103% for females, projected generationally using MP-2021. For safety MPERA retirees, mortality follows the Pub-2010 Safety Retiree table set forward 1 year and adjusted 105% for males, or adjusted 100% for females, projected generationally using MP-2021.

**Mortality - Surviving Beneficiaries:** For TRS survivors, mortality follows the Pub-2010 Contingent Survivor table, projected generationally using MP-2021. For general MPERA survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males and females, projected generationally using MP-2021. For safety MPERA survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males, projected generationally using MP-2021.

*Mortality - Disabled:* For TRS retirees, mortality follows the Pub-2010 General Disabled table, projected generationally using MP-2021. For general MPERA retirees, mortality follows the Pub-2010 General Disabled table set forward 1 year for males and females, projected generationally using MP-2021. For safety MPERA retirees, mortality follows the Pub-2010 Safety Disabled table set forward 1 year for males, projected generationally using MP-2021.

*Changes in actuarial assumptions and methods since last measurement date:* The discount rate increased from 3.31% to 3.98%. The projected payroll increased from 2.5% to 3.5%.

*Changes in benefit terms since last measurement date:* None

Additional information as of the latest actuarial valuation for MUS OPEB plan follows:

**Other Postemployment Benefits  
MUS Single Employer Plan**

	<u>Retiree/Surviving Spouse</u>	<u>Spouse</u>
Contributions (in thousands):		
Before Medicare eligibility	\$ 11,772	\$ 10,055
After Medicare eligibility	4,416	4,969
Actuarial valuation date	December 31, 2022	
Actuarial measurement date <sup>(1)</sup>	March 31, 2023	
Experience study period	January 1, 2022, through December 31, 2022	
Actuarial cost method	Entry age normal funding method	
Amortization method	Level percent of payroll, open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	3.98%	
Projected payroll increases	3.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
Marital status at retirement	70.00%	

<sup>(1)</sup> Updated procedures were used to roll forward the total OPEB liability to the measurement date.

*Mortality - Contributing Members:* For TRS and MUS-RP employees, mortality follows the Pub-2010 Teacher table, projected generationally using MP-2021. For general MPERA members, mortality follows the Pub-2010 General Employee table, projected generationally using MP-2021. For GWPORS members, mortality follows the Pub-2010 Safety table, projected generationally using MP-2021.

*Mortality - Retired:* For TRS and MUS-RP retirees, mortality follows the Pub-2010 Retired Teacher table adjusted 102% for males and 103% for females, projected generationally using MP-2021. For general MPERA retirees, mortality follows the Pub-2010 General Retiree table set forward 1 year and adjusted 104% for males, or adjusted 103% for females, projected generationally using MP-2021. For GWPORS retirees, mortality follows the Pub-2010 Safety

Retiree table set forward 1 year and adjusted 105% for males, or adjusted 100% for females, projected generationally using MP-2021.

*Mortality - Surviving Beneficiaries:* For TRS and MUS-RP survivors, mortality follows the Pub-2010 Contingent Survivor table, projected generationally using MP-2021. For general MPERA survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males and females, projected generationally using MP-2021. For GWPORS survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males, projected generationally using MP-2021.

*Mortality - Disabled:* For TRS and MUS-RP retirees, mortality follows the Pub-2010 General Disabled table, projected generationally using MP-2021. For general MPERA retirees, mortality follows the Pub-2010 General Disabled table set forward 1 year for males and females, projected generationally using MP-2021. For GWPORS retirees, mortality follows the Pub-2010 Safety Disabled table set forward 1 year for males, projected generationally using MP-2021.

*Changes in actuarial assumptions and methods since last measurement date:* The discount rate increased from 3.31% to 3.98% and the projected payroll increased from 2.5% to 3.5%.

*Changes in benefit terms since last measurement date:* None

### Sensitivity of the TOL to changes in the discount rate

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher (than the current discount rate):

State OPEB plan (in thousands)			
	1.0% Decrease (2.98%)	Current Discount Rate (3.98%)	1.0% Increase (4.98%)
Primary Government	\$ 39,917	\$ 29,926	\$ 22,759
Discrete Component Units and Fiduciary Component Units	1,436	1,071	807
Total OPEB liability	\$ 41,353	\$ 30,997	\$ 23,566
MUS OPEB plan (in thousands)			
	1.0% Decrease (2.98%)	Current Discount Rate (3.98%)	1.0% Increase (4.98%)
Primary Government	\$ 480	\$ 378	\$ 302
Discrete Component Units	44,849	36,040	29,365
Total OPEB liability	\$ 45,329	\$ 36,418	\$ 29,667

### Sensitivity of the TOL to changes in the healthcare cost trend rates

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates. Rates shown on the State Plan are trend rates for medical/pharmacy, respectively.

State Plan (in thousands)			
	1.0% Decrease (5.5%/8.0%)	Current Healthcare Cost Trend Rate (6.5%/9.0%)	1.0% Increase (7.5%/10.0%)
Primary Government	\$ 22,886	\$ 29,926	\$ 39,954
Discrete Component Unit and Fiduciary Component Units	808	1,071	1,442
Total OPEB liability	\$ 23,694	\$ 30,997	\$ 41,396
MUS Plan (in thousands)			
	1.0% Decrease (5.5%)	Current Healthcare Cost Trend Rate (6.5%)	1.0% Increase (7.5%)
Primary Government	\$ 299	\$ 378	\$ 486
Discrete Component Unit	29,202	36,040	45,326
Total OPEB liability	\$ 29,501	\$ 36,418	\$ 45,812

**OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the State OPEB plan's OPEB expense is \$5.7 million and the MUS OPEB plan's OPEB expense is \$2.1 million.

At June 30, 2023, the State OPEB plan deferred outflows and inflows of resources are from the following sources:

	State Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Primary Government</u>		
Difference between expected and actual experience	\$ —	\$ 64,841
Changes of assumptions or other inputs	91,084	82,980
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	792	—
Total	<u>\$ 91,876</u>	<u>\$ 147,821</u>
<u>Discrete Component Units and Fiduciary Component Units</u>		
Difference between expected and actual experience	\$ 327	\$ 1,473
Changes of assumptions or other inputs	2,434	2,439
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	28	—
Total	<u>\$ 2,789</u>	<u>\$ 3,912</u>

At June 30, 2023, the MUS OPEB plan deferred outflows and inflows of resources are from the following sources:

	MUS Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Primary Government</u>		
Difference between expected and actual experience	\$ 178	\$ 276
Changes of assumptions or other inputs	429	505
Total	<u>\$ 607</u>	<u>\$ 781</u>
<u>Discrete Component Units</u>		
Difference between expected and actual experience	\$ 19,838	\$ 23,929
Changes of assumptions or other inputs	42,108	56,010
Total	<u>\$ 61,946</u>	<u>\$ 79,939</u>

Deferred outflows of resources and deferred inflows of resources related to TOL will be recognized as OPEB expense as follows:

<b>Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense</b>				
<b>State Plan (in thousands)</b>				
<b>Year ended June 30</b>	<b>Primary Government</b>	<b>Discrete Component Units and Fiduciary Component Units</b>		<b>State Plan Total</b>
2024	\$ (4,220)	\$ (71)	\$	(4,291)
2025	(4,220)	(71)		(4,291)
2026	(4,220)	(71)		(4,291)
2027	(4,220)	(71)		(4,291)
2028	(4,220)	(71)		(4,291)
Thereafter	(35,637)	(796)		(36,433)

<b>Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense</b>				
<b>MUS Plan (in thousands)</b>				
<b>Year ended June 30</b>	<b>Primary Government</b>	<b>Discrete Component Units</b>		<b>MUS Plan Total</b>
2024	\$ (17)	\$ (1,742)	\$	(1,759)
2025	(17)	(1,742)		(1,759)
2026	(17)	(1,742)		(1,759)
2027	(17)	(1,742)		(1,759)
2028	(17)	(1,742)		(1,759)
Thereafter	(89)	(9,283)		(9,372)

## **F. General Information Trust Plan**

### **General Information**

Section 19-3-2141, MCA, establishes a long-term disability plan trust fund (PERS-DCRP Disability) for all State of Montana employees that participate in the Public Employee's Retirement System-Defined Contribution Retirement Plan (PERS-DCRP). All new PERS members are initially members of the Public Employee Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) and have a 12-month window during which they may choose to transfer to the PERS-DCRP or remain in the PERS-DBRP by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. Only those participants that choose the PERS-DCRP are covered by the PERS-DCRP Disability plan.

### **Plan Description**

The PERS-DCRP Disability is a multiple-employer cost-sharing plan that covers employees of the State, local governments, and certain employees of the university system and school districts, who are not covered by a separate retirement system governed by Title 19, MCA. The PERS-DCRP Disability plan provides disability benefits to PERS-DCRP plan members who are vested in the plan and are currently ineligible for retirement.

A separate trust has been established for purposes of providing disability benefits to PERS-DCRP Disability plan members, and it is accounted for as a fiduciary fund. The assets are held in a trust capacity for the beneficiaries. The Public Employee Retirement System issues publicly available annual reports, which include financial statements and required supplemental information for the plan. Those reports may be obtained online (<http://mpera.mt.gov>) or by contacting the following:

Public Employees' Retirement Board  
100 North Park, Suite 200  
P.O. Box 200131  
Helena, MT 59620-0131

## **G. Termination Benefits**

During the year ended June 30, 2023, the State made the following termination benefit arrangements: provided for one-time lump-sum incentive payments for 38 employees, and paid administrative leave for 51 employees.

During the year ended June 30, 2023, component units of the State made the following termination benefit arrangements: continued coverage of health insurance benefits and/or one-time incentive payments for 17 employees.

During the year ended June 30, 2023, the cost of termination benefits for the fiscal year was \$486.4 thousand and \$423.4 thousand for the State and its component units, respectively.



## NOTE 8. RISK MANAGEMENT

There are three primary government public entity risk pools and one claims-servicing pool that are reported within the enterprise funds. These pools include Hail Insurance, the Montana University System (MUS) Group Insurance Plan, the MUS Workers Compensation Program, and the Subsequent Injury claims-servicing pool. The State of Montana (Old Fund) provides risk financing as an entity other than a public entity risk pool. The liability and payment of the workers' compensation claims for incidents occurring before July 1, 1990, are reported in the government-wide financial statements within the primary government. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims, including the effects of inflation and other societal/economic factors. Additionally, the primary government reports its own risk management activity within two internal service funds: Employees Group Benefits Plans and Administration Insurance Plans. In all of these funds, there are no significant reductions in insurance coverage from the prior year. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock. Investments are recorded at fair value. Premiums and discounts are amortized using the straight-line method over the life of the securities.

### A. Public Entity Risk Pools

**(1) Hail Insurance** – Any Montana producer engaged in growing crops subject to destruction or damage by hail may participate in the Hail Insurance program. The Hail Insurance program issued 326 policies during the 2023 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs, and claims paid for hail damage. Depending upon the reserve fund's actuarial soundness and the damage in a season, producers may receive a premium refund. Anticipated investment income is considered in computing a premium deficiency, of which there is none.

A claim must be submitted to the State Board of Hail Insurance within 14 days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas, or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain that exceeds 5.0% destruction by hail.

To reduce its exposure to large losses, the fund purchased Crop Hail Quota Share Reinsurance for the 2023 growing season, with a 50.0% share of premiums and losses allotted to the Reinsurer and a 50.0% share of each allotted to the State Hail Insurance. The fund recorded a liability of \$43.5 thousand, which is 50.0% of the estimated claims (\$87.0 thousand) plus adjustment expenses through June 30, 2023. The amount deducted from the estimated claims as of June 30, 2023, for reinsurance was \$43.5 thousand (50.0% of estimated claims). The premiums ceded to the Reinsurer through June 30, 2023, were \$1.1 million, which was 50.0% of total premiums of \$2.2 million.

Any crop insurance liability is paid to the producers within one year of occurrence; therefore, liabilities are not discounted. The fund has no excess insurance or annuity contracts.

**(2) Montana University System (MUS) Group Insurance Plan** – This plan is authorized by the Board of Regents and in Section 20-25-13, MCA. The plan's purpose is to provide medical, dental, prescription drug, and related group benefits coverage to employees of the Montana University System and affiliates, and their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured, except for life insurance, long-term disability, and accidental death and dismemberment insurance. Delta Dental administers the dental plan, Blue Cross and Blue Shield of Montana administers the vision plan, and Navitus is the administrator for the prescription drug program. Blue Cross and Blue Shield of Montana is the third-party claims administrators for the self-insured managed care plan and also has a contract for utilization management. The utilization management program consists of hospital pre-authorization and medical necessity review, as well as large case management. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance enterprise fund. The claims liability is calculated by Actuaries Northwest and estimated to be \$9.6 million as of June 30,

2023, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

**(3) Montana University System (MUS) Workers' Compensation Program** – This plan was formed to provide self-insured workers compensation coverage for MUS employees. The MUS Board of Regents provides workers' compensation coverage under Compensation Plan Number One (Section 39-7-2101, MCA). The program is self-insured for workers' compensation claims with losses in excess of \$750.0 thousand per occurrence (\$500.0 thousand for claims occurring prior to July 1, 2013) and \$1.0 million per aircraft occurrence covered by reinsurance with a commercial carrier. Employer's liability claims are covered to a maximum of \$1.0 million above the self-insured amount of \$750.0 thousand (\$500.0 thousand for claims occurring prior to July 1, 2013). During fiscal year 2023, the program ceded \$403.6 thousand in premiums to reinsurers.

The MUS Workers' Compensation Program Committee establishes premium rates for all participating campuses based on actuarial calculations of premium need and composite premium rate. Premium rates are adjusted periodically based on inflation, claims experience, and other factors. Premiums are recorded as revenue in the MUS Workers' Compensation Program in the period for which coverage is provided. Members may be subject to supplemental assessments in the event of deficiencies. The program considers anticipated investment income in determining if a premium deficiency exists.

The fund recorded a liability of \$3.8 million for estimated claims at June 30, 2023. The liability is based on the estimated ultimate cost of settling the reported and unreported claims, claims reserve development, including the effects of inflation, and other societal and economic factors. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Estimated claims liabilities are recomputed periodically based on a current review of claims information, experience with similar claims, and other factors. Adjustments to estimated claims liabilities are recorded as an increase or decrease in claims expense in the period the adjustments are made.

**(4) Subsequent Injury** – The purpose of the Subsequent Injury Fund (SIF) is to assist individuals with a permanent impairment that may create an obstacle to employment by limiting workers' compensation exposure for employers who hire SIF-certified individuals. The program is funded through an annual assessment for Montana self-insured employers and a surcharge on premium for private insured and Montana State Fund policyholders.

The Employment Standards Division sets the assessment and surcharge rates annually. The amount assessed is calculated by adding the amount of paid losses reimbursed by SIF from April 1 of the previous calendar year through March 31 of the current calendar year, plus administration expenses, less other income earned. Employers share in the reimbursement in two ways: (1) if self-insured, the reimbursement is based on their share of overall paid losses in the previous calendar year, (2) if insured through a private carrier or Montana State Fund, the reimbursement is based on both overall paid losses in the previous calendar year, and the amount of the employer's premium paid for their business.

The SIF program reduces the liability of the employer (if self-insured) or insurer by placing a limit of 104 weeks on the amount an employer (if self-insured), or the employer's insurer, will have to pay for medical and wage loss benefits in the event a worker who is SIF-certified becomes injured or re-injured on the job. SIF will assume liability for the claim when the 104 weeks is reached. For an insured employer, since the insurer's liability is limited to 104 weeks on the claim, this can favorably impact the employer's modification factor, which in turn could keep premiums lower than would otherwise be the case without SIF. For a self-insured employer, it provides a direct recovery of expenses paid for a workers' compensation claim. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation Act.

An estimated liability is recorded based on a projected cost analysis and total population of registered SIF participants. As of June 30, 2023, this liability amount was estimated to be \$2.5 million.

**(5) Changes in Claims Liabilities for the Past Two Years** – As indicated above, these funds establish liabilities for both reported and unreported insured events, including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

	<u>Hail Insurance</u>		<u>MUS Group Insurance Plan</u>		<u>MUS Workers Compensation</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 12	\$ 76	\$ 8,839	\$ 10,663	\$ 3,860	\$ 5,234
Incurred claims and claim adjustment expenses: provision for insured events of the current year	449	544	110,900	101,744	2,172	1,771
Increase (decrease) in provision for insured events of prior years	710	(49)	—	—	(376)	(1,711)
Total incurred claims and claim adjustment expenses	1,159	495	110,900	101,744	1,796	60
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current year	(405)	(532)	(110,133)	(103,568)	(600)	(374)
Claims and claim adjustment expenses attributable to insured events of prior years	(722)	(27)	—	—	(1,224)	(1,060)
Total payments	(1,127)	(559)	(110,133)	(103,568)	(1,824)	(1,434)
Total unpaid claims and claim adjustment expenses at end of year	\$ 44	\$ 12	\$ 9,606	\$ 8,839	\$ 3,832	\$ 3,860

## B. Entities Other Than Pools

**(1) Administration Insurance Plans** – This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage, foster care liability, and State-administered foreclosure of housing units. The State self-insures the \$2.0 million deductible per occurrence for most property insurance, as well as various deductible amounts for other State property. The State also self-insures against property losses below \$2.0 million of value, with State agencies paying the first \$1.0 thousand. Commercial property insurance protects approximately \$6.9 billion of State-owned buildings and contents. The State's property insurance includes separate earthquake and flood protection coverage, with deductibles of \$2.0 million for earthquake and \$2.0 million for flood per occurrence. Premiums are collected from all state agencies, including component units, and recorded as revenue in the Administration Insurance Fund.

An annual actuarial study prepared by Willis Towers Watson (WTW) Company, and issued for the accident period July 1, 2011, through June 30, 2023, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. As of June 30, 2023, the estimated claims liability was \$23.1 million.

**(2) Employee Group Benefits Plans** – The medical and dental health plans provided by the State are fully self-insured with the State assuming the risk for claims incurred by employees of the State, elected officials, retirees, former employees covered by COBRA benefits, and their dependents. The State contracted with Blue Cross Blue Shield of Montana as the third-party administrator for medical coverage.

Delta Dental is the administrator for dental coverage. Navitus is the administrator for the pharmacy program. Contributions are collected through payroll deductions, deductions through the Montana Public Employee Retirement Administration, the Legislative Branch, and self-payments. The contributions are recorded as revenue in the Employee Group Benefits internal service fund. As of June 30, 2023, estimates for claims liabilities, which include both incurred but not reported claims and grandfathered claims resulting from a 1998 change in period for which the benefit coverage is available, as well as other actuarially determined liabilities, were \$18.5 million as provided by Actuaries Northwest, a consulting actuarial firm. In fiscal year 2024, \$18.3 million of these claims liabilities are estimated to be paid.

**(3) State of Montana (Old Fund)** – State of Montana (Old Fund) covers workers' compensation claims that were incurred before July 1, 1990. Old Fund was originally a risk financing insurance entity, but upon depletion of all of its assets, is now financed by the General Fund. The participants within the pool are individuals outside of governmental entities.

An actuarial study prepared by WTW, as of June 30, 2023, estimated the cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. At June 30, 2023, \$39.7 million of unpaid claims and claim adjustment expenses were reported at face value.

**(4) Changes in Claims Liabilities for the Past Two Years** – These funds establish liabilities for both reported and incurred but not reported claims. Grandfathered claims are not included as they relate to future claims not yet incurred. The following table presents changes in the balances of claims liabilities during the past two fiscal years (in thousands).

	<u>Administration Insurance Plans</u>		<u>Employers Group Benefits Plan</u>		<u>State of Montana Old Fund</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Amount of claims liabilities at the beginning of each fiscal year	\$ 19,080	\$ 17,146	\$ 25,877	\$ 19,665	\$ 41,478	\$ 43,704
Incurred claims:						
Provision for insured events of the current year	9,725	6,585	198,390	199,225	—	—
Increase (decrease) in provision for insured events of prior years	4,887	14,040	(5,399)	1,651	4,064	3,151
Total incurred claims	14,612	20,625	192,991	200,876	4,064	3,151
Payments:						
Claims attributable to insured events of the current year	(6,305)	(2,001)	(179,970)	(173,504)	—	—
Claims attributable to insured events of prior years	(4,312)	(16,690)	(20,391)	(21,160)	(5,886)	(5,377)
Total payments	(10,617)	(18,691)	(200,361)	(194,664)	(5,886)	(5,377)
Total claims liability at end of each fiscal year	\$ 23,075	\$ 19,080	\$ 18,507	\$ 25,877	\$ 39,656	\$ 41,478

**NOTE 9. COMMITMENTS****A. Highway Construction**

At June 30, 2023, the Department of Transportation had contractual commitments of approximately \$627.8 million for construction of various highway projects. Funding for these highway projects is to be provided by federal grants and matched with state special revenue funds.

**B. Capital Assets and/or Other Construction**

At June 30, 2023, the Department of Administration, Architecture & Engineering Division (A&E) had contractual commitments of approximately \$130.5 million for planning and construction of capital projects for the renovation, deferred maintenance, and new construction of state-owned facilities. These projects will be funded with \$26.0 million in capital project funds, \$50.4 million in federal special revenue funds (including \$1.1 million in ARPA federal funds), \$7.6 million in state special revenue funds, \$15.0 million in private donations, and \$0.5 million in proprietary funds. The Montana University System will fund \$31.0 million in university plant funds. A&E also had \$2.4 million contractual commitments for the planning and implementation of the division's new Broadband Program and \$149.0 million in grant awards. The Broadband Program commitments will be funded with ARPA & Infrastructure Investment and Jobs Act federal grants.

At June 30, 2023, the Department of Fish, Wildlife, and Parks had contractual commitments of approximately \$2.8 million for engineering and construction of various capital projects, which will be provided by federal grants and state special revenue funds.

At June 30, 2023, the Department of Justice, Division of Motor Vehicles had commitments of \$32.2 million for the CARS project, a subscription-based information technology arrangement, to include consultation services, software, and maintenance. The funding for this will be provided by the General Fund and state special revenue funds.

At June 30, 2023, the Department of Labor and Industry had \$2.7 million contractual commitments for Montana State AmeriCorps Programs and \$14.7 million for information technology contracts of which \$1.2 million is for a subscription-based information technology arrangement. The funding for these programs will be provided by federal grants and state special revenue funds.

At June 30, 2023, the Public Service Commission had a \$1.0 million contractual commitment for an information technology contract. The funding for this program will be provided by state special revenue funds.

At June 30, 2023, the Office of the Secretary of State had a contractual commitment of approximately \$351.4 thousand for developing and implementing the ElectMT system to replace the existing statewide Voter Registration and Election Management system (MT Votes). The majority of the funding for this project is to be provided by a federal grant from the U.S. Election Assistance Commission.

At June 30, 2023, the Department of Transportation, has contractual commitments of approximately \$164.0 million for engineering and construction of various infrastructure projects and approximately \$3.4 million for buses and transit facilities for various local governments and transit authorities. The funding for both of these commitments will be provided by federal funds.

At June 30, 2023, the Department of Livestock had a \$1.0 million commitment for information technology contracts. The funding for these programs will be provided by state special revenue funds.

At June 30, 2023, the Commissioner of Higher Education had a \$610.0 thousand commitment for ACT testing for fiscal year 2024, which will be provided by federal funds.

At June 30, 2023, the Department of Military Affairs had a commitment for the mitigation of Limestone Hills unexploded ordinance for \$1.1 million, which will be provided by federal funds.

### C. Loan and Mortgage Commitments

The Montana Board of Investments (BOI) makes firm commitments to fund commercial loans, residential mortgages, and Veterans' Home Loan Mortgages (VHLM) from the Coal Severance Tax Permanent Trust Fund. These commitments have expiration dates and may be extended according to BOI policies. As of June 30, 2023, BOI had committed, but not yet purchased, \$16.3 million in loans from Montana lenders. Additionally, lenders had reserved \$20.9 million for loans as of June 30, 2023. As of June 30, 2023, another \$0.5 million represented lender reservations for the VHLM residential mortgage purchases with no purchase commitments, and an additional \$3.1 million is reserved in the Multifamily Coal Trust Homes Program.

BOI makes reservations to fund mortgages from the State's pension funds. As of June 30, 2023, there were no mortgage reservations. All BOI residential mortgage purchases are processed by the Montana Board of Housing (MBOH). MBOH does not differentiate between a mortgage reservation and a funding commitment.

BOI makes firm commitments to fund loans from the INTERCAP loan program. The BOI's outstanding commitments to eligible Montana governments, as of June 30, 2023, totaled \$27.7 million.

### D. Bond Commitments

At June 30, 2023, the outstanding tax-exempt bonds distributed by the Facility Finance Authority were issued in the amount of \$5.5 million of which \$1.5 million in principal payments are scheduled to be paid by June 30, 2024. These bonds have been issued to operating treatment facilities and prerelease centers. The Department of Corrections agrees to provide payment on behalf of the contractors for the total principal and interest due regarding these outstanding bonds. These costs are then recovered through the center's monthly billing for inmate room and board.

### E. Proprietary Fund Commitments

Budgets are administratively established in the enterprise and internal service funds, excluding depreciation, compensated absences, and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unrestricted net position in the accompanying financial statements as follows (in thousands):

<u>Enterprise Funds</u>	<u>Amount</u>
Liquor Warehouse	\$ 281
Other Enterprise Funds	18
Subtotal - Enterprise funds	\$ 299
<u>Internal Service Funds</u>	
Labor Central Services	\$ 4,765
Admin Insurance	3
Subtotal - Internal Service funds	\$ 4,768

### F. Encumbrances

As of June 30, 2023, the State of Montana encumbered expenditures as presented in the table below (in thousands):

	<u>Federal Special Revenue Fund</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
<b>Encumbrances</b>	\$ 126,791	\$ 22,206	\$ 1,341	\$ 116,223	\$ 266,561

**NOTE 10. RIGHT-TO-USE/FINANCED PURCHASE PAYABLES AND LEASE RECEIVABLES****A. Right-to-Use/Financed Purchase Payables**

Right-to-use assets include lease assets and subscription-based information technology arrangements (SBITA) assets. Leases, SBITAs, and financed purchases consist of agreements that grant the State use of property in exchange for payments over a period of time. The primary difference is that a financed purchase agreement grants ownership of the property to the State by the end of the contract period. In contrast, lease and SBITA agreements only grant the use of the property for a specified period. A right-to-use agreement may contain an option to purchase the property or it may be a contract that transfers ownership of the property to the State with specific types of termination options. The State's lease payables are primarily related to the use of buildings, with some contracts related to the use of land and equipment. The State's SBITA payables are associated with the subscriptions of underlying IT assets provided by the SBITA vendors. The State's financed purchase payables are exclusively associated with equipment purchases. Information regarding the right-to-use assets can be found in Note 5.

Principal and interest requirements to maturity for leases, SBITAs, and financed purchases at June 30, 2023, were as follows (in thousands):

Fiscal Year Ended June 30:	Governmental Activities					
	Lease Principal	Lease Interest	SBITA Principal	SBITA Interest	Financed Purchase Principal	Financed Purchase Interest
2024	\$ 19,841	\$ 2,093	\$ 8,348	\$ 485	\$ 2,668	\$ 281
2025	17,626	1,869	7,086	355	2,107	211
2026	15,245	1,592	6,015	245	1,902	156
2027	13,840	1,340	6,254	151	1,805	108
2028	11,430	1,122	4,765	53	1,708	63
2029 - 2033	38,431	3,224	345	9	633	21
2034 - 2038	18,458	902	—	—	—	—
2039 - 2043	3,039	50	—	—	—	—
2044 - 2048	33	11	—	—	—	—
2049 - 2053	43	7	—	—	—	—
2054 - 2058	54	4	—	—	—	—
2059 - 2063	13	—	—	—	—	—
Total	\$ 138,053	\$ 12,214	\$ 32,813	\$ 1,298	\$ 10,823	\$ 840

Fiscal Year Ended June 30:	Business-Type Activities			
	Lease Principal	Lease Interest	SBITA Principal	SBITA Interest
2024	\$ 340	\$ 44	\$ 430	\$ 18
2025	344	40	452	11
2026	355	34	230	6
2027	253	29	194	3
2028	141	26	—	—
2029 - 2033	708	95	—	—
2034 - 2038	601	42	—	—
2039 - 2043	188	2	—	—
Total	\$ 2,930	\$ 312	\$ 1,306	\$ 38

## B. Lease Receivables

The State's lease receivables are primarily associated with the leasing of lands granted to the State to support public schools and state institutions. For the fiscal year ended June 30, 2023, the State's total lease revenue was \$5.7 million, and the related interest revenue was \$3.3 million.

## C. Lease-Leaseback Transaction

The State's lease payable and lease receivable balances exclude \$702.8 thousand related to an arrangement where the State is leasing a building that was constructed on land that is being leased from the State. GASB Statement No. 87 requires such arrangements to be accounted for as a net transaction.

## D. Intra-Entity Leases of Investment Properties

The State owns buildings that are recorded as investments under GASB Statement No. 72, which are leased to discretely presented component units and fiduciary component units. In those cases, the discretely presented component units and fiduciary component units may record lease payables. However, the State does not record receivables for leases recorded as investments.

Total lease principal and interest requirements payable to the primary government at June 30, 2023, were as follows (in thousands):

Fiscal Year Ended June 30:	Discretely Presented Component Units		Fiduciary Component Units	
	Lease Principal	Lease Interest	Lease Principal	Lease Interest
2024	\$ 22	\$ 4	\$ 397	\$ 102
2025	23	3	408	106
2026	24	3	431	99
2027	26	2	454	91
2028	27	2	478	84
2029 - 2033	120	4	2,782	289
2034 - 2038	—	—	1,998	64
Total	\$ 242	\$ 18	\$ 6,948	\$ 835

## E. Variable Payments

Variable lease or SBITA payments, other than those variable payments that depend on an index or a rate or are fixed in substance, and other payments that are not known or certain to be exercised are excluded from the measurement of the lease liability or SBITA liability. For the fiscal year ended June 30, 2023, the State recognized \$505.3 thousand as expenses from the variable payments for SBITA.

Variable lease payments, other than those variable payments that depend on an index or a rate or are fixed in substance, and other payments that are not known or certain to be exercised are excluded from the measurement of the lease receivable. For the fiscal year ended June 30, 2023, the State recognized \$29.5 thousand as revenues from the variable payments for leases.



**NOTE 11. STATE SHORT-TERM DEBT AND LONG-TERM LIABILITIES**

**A. General Information**

The State has no constitutional limit on its power to issue obligations or incur debt other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. No State debt shall be created unless authorized by a two-thirds vote of the members of each house of the Legislature or a majority of the electors voting thereon. The Board of Examiners (consisting of the Governor, Secretary of State, and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

**B. Short-term Debt**

On November 30, 2021, the Board of Investments adopted Resolution 249, which allowed for the redemption of all outstanding bonds of the INTERCAP program and the issuance of a new bond to the Board of Investments Unified Investment Program. The bond may be extended annually each February, with no limit on the number of extensions. The INTERCAP program lends money to local governments for capital projects and improvements. The following schedule summarizes the activity for the year ended June 30, 2023.

**Business-Type Activities**

	<b>Beginning Balance <sup>(1)</sup></b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
INTERCAP Bonds	\$ 68,707	\$ —	\$ —	\$ 68,707

(1) In fiscal year 2022 the INTERCAP Bond was reported as long-term debt because the renewal period was greater than twelve months. The terms changed for fiscal year 2023 so the Bond payable was reclassified to short-term debt.

### C. Long-term Debt

The full faith, credit, and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue and mortgage bonds are secured by a pledge from the facilities to which they relate and by certain other revenues, fees, and assets of the State and the various colleges and universities. Primary government bonds and notes outstanding on June 30, 2023, were as follows (in thousands):

<b>Governmental Activities</b>	<b>Series</b>	<b>Amount Issued</b>	<b>Interest Range (%) <sup>(1)</sup></b>	<b>Principal Payments</b>		<b>Balance June 30, 2023</b>
				<b>Fiscal Year 2024</b>	<b>In Year of Maturity <sup>(2)</sup></b>	
<b>Special revenue bonds</b>						
Coal Severance Tax Refunding (Taxable) <sup>(3)</sup>	2020L	\$ 11,965	1.62	\$ 300	55 (2031)	\$ 300
Total special revenue bonds		<u>\$ 11,965</u>		<u>\$ 300</u>		<u>\$ 300</u>
<b>Notes Payable</b>						
Middle Creek Dam Project <sup>(4)</sup>		\$ 3,272	8.125	\$ 108	226 (2034)	\$ 1,556
Oracle Project		668	—	334	334 (2024)	334
Tongue River Dam Project <sup>(5)</sup>		11,300	—	290	290 (2038)	4,346
Total notes payable		<u>\$ 15,240</u>		<u>\$ 732</u>		<u>\$ 6,236</u>
Subtotal before unamortized balances		<u>27,205</u>		<u>1,032</u>		<u>6,536</u>
Total governmental activities		<u>\$ 27,205</u>		<u>\$ 1,032</u>		<u>\$ 6,536</u>

<sup>(1)</sup> The interest range is over the life of the obligation.

<sup>(2)</sup> Year of maturity refers to the fiscal year.

<sup>(3)</sup> Bonds were private sales.

<sup>(4)</sup> U.S. Bureau of Reclamation loan to the Department of Natural Resources & Conservation.

<sup>(5)</sup> Northern Cheyenne Tribe loan to the Department of Natural Resources & Conservation. The loan will not accrue interest. The issuance of a coal severance tax bond to the tribe secures the loan repayment.

### D. Debt Service Requirements

Primary government debt service requirements on June 30, 2023, were as follows (in thousands):

<b>Fiscal Year Ended June 30:</b>	<b>Governmental Activities</b>			
	<b>Special Revenue Bonds</b>		<b>Notes Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 300	\$ 2	\$ 732	\$ 38
2025	—	—	403	38
2026	—	—	408	38
2027	—	—	413	38
2028	—	—	419	38
2029 - 2033	—	—	2,185	190
2034 - 2038	—	—	1,676	76
Total	<u>\$ 300</u>	<u>\$ 2</u>	<u>\$ 6,236</u>	<u>\$ 456</u>

## E. Summary of Changes in Long-term Liabilities

Primary government long-term liability activities for the year ended June 30, 2023, were as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
<b>Governmental activities</b>						
Bonds/notes payable						
General obligation bonds	\$ 130,772	\$ —	\$ 130,772	\$ —	\$ —	\$ —
Special revenue bonds	12,695	—	12,395	300	300	—
Notes payable	6,963	—	727	6,236	732	5,504
	150,430	—	143,894	6,536	1,032	5,504
Unamortized premium	12,787	—	12,787	—	—	—
Total bonds/notes payable <sup>(2)</sup>	163,217	—	156,681	6,536	1,032	5,504
Other liabilities						
Right to use lease payable <sup>(3)</sup>	138,384	20,057	20,388	138,053	19,841	118,212
Right to use SBITA payable <sup>(4)</sup>	32,113	6,504	5,804	32,813	8,348	24,465
Financed purchase payable <sup>(3)</sup>	14,505	—	3,682	10,823	2,668	8,155
Compensated absences payable <sup>(1)</sup>	108,589	69,418	63,951	114,056	63,549	50,507
Estimated insurance claims	103,540	211,667	233,969	81,238	30,951	50,287
Pollution remediation	158,688	—	6,334	152,354	17,361	134,993
Net pension liability	1,915,996	594,454	653	2,509,797	—	2,509,797
Total OPEB liability	118,518	—	88,778	29,740	—	29,740
Total other liabilities	2,590,333	902,100	423,559	3,068,874	142,718	2,926,156
Total governmental activities long-term liabilities	\$ 2,753,550	\$ 902,100	\$ 580,240	\$ 3,075,410	\$ 143,750	\$ 2,931,660
<b>Business-type activities</b>						
Bond payable <sup>(5)</sup>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Right to use lease payable <sup>(3)</sup>	3,259	12	341	2,930	340	2,590
Right to use SBITA payable <sup>(4)</sup>	1,543	—	237	1,306	430	876
Compensated absences payable <sup>(1)</sup>	2,309	1,266	1,138	2,437	1,138	1,299
Estimated insurance claims	14,495	114,601	113,123	15,973	12,778	3,195
Net pension liability	10,590	3,189	419	13,360	—	13,360
Total OPEB liability	2,030	—	1,468	562	—	562
Total business-type activities long-term liabilities	\$ 34,226	\$ 119,068	\$ 116,726	\$ 36,568	\$ 14,686	\$ 21,882

<sup>(1)</sup> The compensated absences liability attributable to the governmental activities will be liquidated by several governmental and internal service funds. The Employee Group Benefits and Administration Insurance internal service funds will liquidate the estimated insurance claims liability.

<sup>(2)</sup> Deferred outflows, including those related to bonds payable, are reported separately on the Statement of Net Position based on GASB Statement No. 65.

<sup>(3)</sup> The right to use lease payable and the financed purchase payable beginning balances were restated due to prior period adjustments.

<sup>(4)</sup> The beginning balance has been restated for the implementation of GASB Statement No. 96.

<sup>(5)</sup> In fiscal year 2022 the INTERCAP Bond Payable was reported as long-term debt because the renewal period was greater than twelve months. The terms changed for fiscal year 2023 so the Bond payable was reclassified to short-term debt and the beginning balance has been restated.

## F. Refunded and Early Retired Debt

### Defeased Debt

During the 2023 Legislative session, House Bill 251 was approved. This bill established a Debt and Liability Free account to utilize excess General Fund balances to pay off outstanding bonds, notes, and other obligations. As a result, several bonds were defeased with either cash-funded defeasance or escrow-funded defeasance. As of June 30, 2023 the bonds listed below (in thousands) were legally defeased, are no longer outstanding under State law, and are no longer reflected as liabilities.

#### DEFEASED TO ESCROW

Bond or Note Issue	Principal Amount Outstanding	Cash Required for Escrow
Series 2020H, General Obligation Long-Range Building Program Bonds, amount issued \$5,900	\$ 5,475	\$ 6,110
Series 2014, General Obligation Long-Range Building Program Refunding Bonds, amount issued \$28,810	10,980	11,374
Series 2020I, General Obligation Trust Lands Refunding Bonds (Taxable), amount issued \$12,510	10,025	9,092
Series 2020G, General Obligation Bonds, amount issued \$32,505	27,235	32,317
Series 2022D, General Obligation Bonds, amount issued \$16,035	15,190	15,448
Series 2020C, General Obligation Bonds, amount issued \$28,900	21,230	23,821
Series 2013C, General Obligation Long-Range Building Program Refunding Bonds, amount issued \$6,780	880	898
	<b>\$ 91,015</b>	<b>\$ 99,060</b>

#### DEFEASED WITH CASH PAY OFF

Bond or Note Issue	Principal Amount Outstanding	Cash Required for Pay Off - non-escrow
Series 2008D, General Obligation, amount issued \$3,100	\$ 995	\$ 1,011
Series 2020E, General Obligation, amount issued \$2,658	2,101	2,112
Series 2020K, General Obligation, amount issued \$985	441	443
Series 2020J, General Obligation, amount issued 24,865	16,065	16,160
Series 2005D, General Obligation, amount issued \$2,000	405	412
	<b>\$ 20,007</b>	<b>\$ 20,138</b>
<b>Total defeased debt</b>	<b>\$ 111,022</b>	<b>\$ 119,198</b>

### Prepayments

The Department of Natural Resources and Conservation (DNRC) used current available resources in the amount of \$7.4 million to prepay special revenue bond series 2020L, resulting in the decrease of the outstanding balance.

## G. Conduit Debt Obligations

Information is presented below for financing authorities participating in debt issues. The related debt issued does not constitute a debt, liability, obligation, or pledge of faith and credit of the State. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

Montana Board of Investments (BOI) is authorized to issue Qualified Zone Academy Bonds (QZAB) under the Municipal Finance Consolidation Act as conduit (no-commitment) debt. The revenues, and in some cases, the taxing power of the borrower, are pledged to repay the bonds. At June 30, 2023, QZAB debt outstanding aggregated \$3.5 million.

BOI is also authorized to issue Qualified School Construction Bonds (QSCB) under the Municipal Finance Consolidation Act as conduit (no-commitment) debt. The revenues of the borrower are pledged to repay the bonds. At June 30, 2023, QSCB debt outstanding aggregated \$1.8 million.

## H. Estimated Pollution Remediation Obligation

Estimated pollution remediation obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The estimates are derived using the expected cash flows method and technical estimates from record of decisions, consent decrees, and/or settlement agreements. There may be factors influencing the estimates that are not known at this time. Prospective recoveries from other responsible parties may reduce the State's obligation.

The State's estimated pollution remediation liability as of June 30, 2023, was \$152.4 million. Of this liability, \$3.4 million resulted in settlement agreements to restore natural resources, water supplies, and natural resource-based recreational opportunities up to the settlement amount; \$149.0 million is based on decrees or settlements for remediation activities. Other estimated liabilities have been recorded for soil and Polychlorinated Biphenyls (PCB) contamination and removal of asbestos contamination. The estimated pollution remediation liability was recorded in compliance with accounting and reporting standards and does not constitute the State's total acceptance of the liability or responsibility for these matters.

## I. Non-Exchange Financial Guarantee

BOI provides loan guarantees from STIP, TFIP, and the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of FFA totaled \$109.1 million as of June 30, 2023. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute, which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI receives a credit enhancement fee at FFA bond closing based on the term of the financing, the type of bond, the rating of the borrower, and the type of reserve fund. BOI and FFA have entered into an agreement detailing repayment to BOI. No credit enhancement fees were generated during the fiscal year. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2023 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
\$ 113,573	\$ —	\$ 4,440	\$ 109,133

**NOTE 12. INTERFUND BALANCES AND TRANSFERS****A. Balances Due From/To Other Funds**

Balances due from/to other funds arise when there is a timing difference between the dates that reimbursable expenditures and interfund services provided/used are recorded in the accounting system and the dates on which payments are made. Balances also arise when there is a timing difference between the dates transfers between funds are recorded and the dates on which payments are made. Balances due from/to other funds also include the current portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. Balances due from/to other funds are expected to be repaid within one year from origination.

Balances due from/to other funds at June 30, 2023, consisted of the following (in thousands):

	Due to Other Funds						Total
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Enterprise Funds <sup>(2)</sup>	Nonmajor Governmental Funds	State Special Revenue	
<b>Due from Other Funds</b>							
Federal Special Revenue	\$ —	\$ 26,174	\$ —	\$ —	\$ —	\$ 370	\$ 26,544
General Fund	1,419	—	—	27,379	—	26,701	55,499
Internal Service Funds	10	—	34	—	—	10	54
Municipal Finance Programs	—	—	1,820	205	1	—	2,026
Nonmajor Enterprise Funds	428	—	—	—	—	—	428
Nonmajor Governmental Funds	8,716	29	—	—	—	1,668	10,413
State Special Revenue <sup>(1)</sup>	77	14	—	1,000	3	—	1,094
<b>Total</b>	<b>\$ 10,650</b>	<b>\$ 26,217</b>	<b>\$ 1,854</b>	<b>\$ 28,584</b>	<b>\$ 4</b>	<b>\$ 28,749</b>	<b>\$ 96,058</b>

<sup>(1)</sup> Total due from other funds to the state special revenue fund on the fund financial statement is reported as \$9.9 million. The difference of \$8.8 million between the amount reported above and the amount reported in the fund financial statement relates to long-term receivables. The receivables are reported on the fund financial statement, and the long-term liabilities are reported on the government-wide statement.

<sup>(2)</sup> Total due to other funds from the nonmajor enterprise funds on the fund financial statement is reported as \$28.8 million. The difference of \$170.5 thousand between the amount reported above and the amount reported on the fund financial statement relates to loans payable. The receivables are reported on the government-wide statement, and the liabilities are reported on the fund financial statement.

## B. Interfund Loans Receivable/Payable

Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary, and the cash balance in the fund from which the appropriation was made is insufficient to pay the expenditure. Interfund loans receivable/payable are expected to be repaid within one year from the date of origination.

Interfund loans receivable/payable at June 30, 2023, consisted of the following (in thousands):

	Interfund Loans Payable							Total
	Coal Severance Tax	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	State Special Revenue	Land Grant	
<b>Interfund Loans Receivable</b>								
General Fund	\$ 1,567	\$ 110,878	\$ 824	\$ 9,926	\$ —	\$ 4,145	\$ —	\$ 127,340
Internal Service Funds	—	—	—	—	—	12	—	12
Nonmajor Enterprise Funds	—	91	—	—	—	454	—	545
Nonmajor Governmental	—	1,000	—	—	—	—	—	1,000
State Special Revenue	—	112,928	433	309	555	—	5	114,230
Total	\$ 1,567	\$ 224,897	\$ 1,257	\$ 10,235	\$ 555	\$ 4,611	\$ 5	\$ 243,127

## C. Advances To/From Other Funds

Advances to/from other funds represent the portion of interfund loans that are not expected to be repaid within one year from the date of origination. Advances to/from other funds also include the noncurrent portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. For more information on the INTERCAP loan program, refer to Note 11.

Advances to/from other funds at June 30, 2023, consisted of the following (in thousands):

	Advances from Other Funds					Total
	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	State Special Revenue	
<b>Advances to Other Funds</b>						
General Fund	\$ 47,372	\$ —	\$ —	\$ 2,500	\$ —	\$ 49,872
Municipal Finance Programs	—	8,099	14	1,123	—	9,236
Nonmajor Governmental Funds	—	—	—	—	3,823	3,823
State Special Revenue	850	—	179	—	—	1,029
Total	\$ 48,222	\$ 8,099	\$ 193	\$ 3,623	\$ 3,823	\$ 63,960

Additional detail for certain advance balances at June 30, 2023, follows (in thousands):

Advances from the Municipal Finance Programs under the INTERCAP Loan Program	
Departmental Function	Balance
Natural Resources and Conservation	\$ 814
Public Safety	3,521
Transportation	4,901
Total	\$ 9,236

## D. Interfund Transfers

Routine transfers between funds are recorded to (1) transfer revenues from the fund legally required to receive the revenue to the fund authorized to expend the revenue, (2) transfer resources from the General Fund and special revenue funds to debt service funds to support principal and interest payments, (3) transfer resources from enterprise funds to the General Fund to finance general government expenditures, and (4) provide operating subsidies.

Interfund transfers for the year ended June 30, 2023, consisted of the following (in thousands):

	Transfers Out								Total
	Coal Severance Tax	Federal Special Revenue	General Fund <sup>(1)</sup>	Internal Service Funds	Land Grant	Nonmajor Enterprise Funds	Nonmajor Governmental Funds	State Special Revenue	
<b>Transfers In</b>									
Coal Severance Tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 640	\$ —	\$ 640
Federal Special Revenue	—	—	423	—	—	—	—	2,855	3,278
General Fund <sup>(1)</sup>	18,105	567	—	—	8	78,178	—	38,752	135,610
Internal Service Funds	—	9	31,425	36	—	2	—	2,752	34,224
Land Grant	—	—	54	—	—	—	—	48	102
Nonmajor Enterprise Funds	—	427	18,000	—	—	—	—	282	18,709
Nonmajor Governmental Funds	—	33,662	493,122	118	220	—	400	21,644	549,166
State Special Revenue	10,909	13,429	46,719	263	75,383	12,299	25,162	—	184,164
<b>Total</b>	<b>\$ 29,014</b>	<b>\$ 48,094</b>	<b>\$ 589,743</b>	<b>\$ 417</b>	<b>\$ 75,611</b>	<b>\$ 90,479</b>	<b>\$ 26,202</b>	<b>\$ 66,333</b>	<b>\$ 925,893</b>

<sup>(1)</sup> Several State Special Revenue funds are combined with the General Fund for reporting purposes (discussed further in Note 1). As a result, several transfers are not accounted for in the above table, as both the transfer-ins and respective transfer-outs have been eliminated as required for proper financial reporting. Transfers from the General Fund to the following funds were eliminated (in millions):

Description	Amount
Budget Stabilization Reserve	\$ 377.0
Fire Suppression Fund	159.7
Behavioral Health System for Future Generations	70.0
Montana Surplus Tax Rebates	515.0
Emergency Shelter Facilities Grants	5.0
Capitol Complex Legislative Branch	25.0
Debt and Liability Free	125.0
Capitol Complex Executive Branch	25.0
Medicaid 24-7 Facility Contingency	56.5
Securing Access to Federal Expenditures to Repair (SAFER) Montana Roads	100.0
<b>Total</b>	<b>\$ 1,458.20</b>



**NOTE 13. FUND EQUITY DEFICITS**

The following funds have a deficit net position remaining at June 30, 2023, as follows (in thousands):

<b>Fund Type/Fund</b>	<b>Deficit</b>
<b>Governmental Funds</b>	
Federal/Private Construction Grants	\$ (97)
<b>Internal Service Funds <sup>(1)</sup></b>	
Information Tech Services	\$ (13,618)
Admin Central Services	(1,515)
Building and Grounds	(452)
Labor Central Services	(6,926)
Commerce Central Services	(890)
OPI Central Services	(1,911)
DEQ Indirect Cost Pool	(2,654)
Payroll Processing	(1,204)
Warrant Processing	(107)
Investment Division	(3,409)
Aircraft Operation	(577)
Justice Legal Services	(1,282)
Personnel Training	(15)
Other Internal Services	(200)
SABHRS Finance & Budget Bureau	(814)
<b>Enterprise Fund <sup>(1)</sup></b>	
State Lottery	\$ (2,417)
Subsequent Injury	(831)

<sup>(1)</sup> The allocation of net pension liability and total OPEB liability is a significant factor in creating these deficits. For more detail related to these liabilities, see Notes 6 and 7, respectively.

**NOTE 14. MAJOR PURPOSE PRESENTATION**

**Special Revenue and Fund Balances Classifications by Purpose** – In the governmental fund financial statements, classifications of special revenue fund revenues and fund balances are presented in the aggregate. The tables presented below further display the special revenue fund revenues and fund balances by major purpose for the year ending June 30, 2023.

**State Special Revenue By Source** (in thousands)

	<b>General Government</b>	<b>Public Safety</b>	<b>Transportation</b>	<b>Health and Human Services</b>	<b>Education</b>	<b>Natural Resources</b>	<b>Total</b>
Licenses/permits	\$ 139,674	\$ 56,171	\$ 27,616	\$ 1,513	\$ 175	\$ 103,858	\$ 329,007
Taxes	349,625	6,732	281,765	—	—	15,531	653,653
Charges for services	30,075	21,385	6,443	33,729	3,443	18,022	113,097
Investment earnings (losses)	1,768	2,037	4,127	1,717	898	17,208	27,755
Securities lending income	—	70	—	1	10	120	201
Sale of documents/ merchandise/property	525	4,351	116	48	1	7,152	12,193
Rentals/leases/royalties	282	125	649	49	3	355	1,463
Contributions/premiums	36,630	—	—	1,975	—	100	38,705
Grants/contracts/donations	1,361	243	216	4,932	16,108	5,168	28,028
Federal	10,341	—	1	682	—	—	11,024
Federal indirect cost recoveries	—	67	53,477	146	—	7,729	61,419
Other revenues	4,990	1,074	313	(21)	188	666	7,210
Transfers in	33,175	27,771	—	10,612	12,268	100,338	184,164
<b>Total State Special Revenue</b>	<b>\$ 608,446</b>	<b>\$ 120,026</b>	<b>\$ 374,723</b>	<b>\$ 55,383</b>	<b>\$ 33,094</b>	<b>\$ 276,247</b>	<b>\$ 1,467,919</b>

**Federal Special Revenue By Source** (in thousands)

	<b>General Government</b>	<b>Public Safety</b>	<b>Transportation</b>	<b>Health and Human Services</b>	<b>Education</b>	<b>Natural Resources</b>	<b>Total</b>
Charges for services	\$ 1,272	\$ 14	\$ —	\$ 8,128	\$ 2	\$ 19	\$ 9,435
Investment earnings (losses)	31,226	76	—	—	70	328	31,700
Grants/contracts/donations	164	—	—	—	6	—	170
Federal	403,877	16,396	626,440	2,602,700	401,156	119,287	4,169,856
Federal indirect cost recoveries	1	—	—	97,105	73	267	97,446
Other revenues	2	71	1	1,993	4	—	2,071
Transfers in	4	1,854	—	1,135	285	—	3,278
<b>Total Federal Special Revenue</b>	<b>\$ 436,546</b>	<b>\$ 18,411</b>	<b>\$ 626,441</b>	<b>\$ 2,711,061</b>	<b>\$ 401,596</b>	<b>\$ 119,901</b>	<b>\$ 4,313,956</b>

**Governmental Fund Balance By Function, (in thousands)**  
**June 30, 2023**

	Special Revenue			Permanent		Nonmajor	Total
	General	State	Federal	Coal Severance Tax	Land Grant		
Fund balances:							
Nonspendable							
Inventory	\$ 6,525	\$ 23,190	\$ —	\$ —	\$ —	\$ —	\$ 29,715
Permanent fund principal	—	500	—	679,723	929,342	414,260	2,023,825
Long-term notes/receivables	49,872	—	—	—	—	—	49,872
Prepaid expenditure	1,022	513	91	—	—	11	1,637
Total nonspendable	57,419	24,203	91	679,723	929,342	414,271	2,105,049
Restricted							
General government	—	7,207	21,012	—	—	10,039	38,258
Public safety	—	151,110	—	—	—	1	151,111
Transportation	—	182,156	3,972	—	—	—	186,128
Health and human services	—	43,331	1,243	—	—	1,436	46,010
Education	—	34,088	1,445	—	—	7	35,540
Natural resources	—	804,282	—	—	—	15,894	820,176
Total restricted	—	1,222,174	27,672	—	—	27,377	1,277,223
Committed							
General government	741,547	208,770	29,206	558,449	—	731,741	2,269,713
Public safety	—	108,228	—	—	—	—	108,228
Transportation	85,145	32,675	—	—	—	—	117,820
Health and human services	13,791	69,467	—	—	—	—	83,258
Education	—	42,487	—	—	—	—	42,487
Natural resources	191,012	424,299	—	—	—	32,141	647,452
Total committed	1,031,495	885,926	29,206	558,449	—	763,882	3,268,958
Assigned							
General government	—	981	—	—	—	1,114	2,095
Public safety	—	23	—	—	—	—	23
Health and human service	—	2,301	—	—	—	—	2,301
Education	—	63	—	—	—	—	63
Natural resources	—	57	—	—	—	—	57
Encumbrance	22,206	—	—	—	—	—	22,206
Total assigned	22,206	3,425	—	—	—	1,114	26,745
Unassigned	812,573	—	—	—	—	(97)	812,476
Total fund balance	\$ 1,923,693	\$ 2,135,728	\$ 56,969	\$ 1,238,172	\$ 929,342	\$ 1,206,547	\$ 7,490,451

**NOTE 15. RELATED PARTY TRANSACTIONS**

The Montana School for the Deaf and Blind is associated with a foundation, a nonprofit organization outside of state government. The school's foundation is governed by a board of directors. The superintendent of the school is a non-voting member of the foundation board and the school's Student Life Director is a voting member of the board. There were no transactions between the two entities during fiscal year 2023.

The Department of Labor and Industry Workforce Services Division rents space in Libby, MT from Mineral Plaza, LLC, in which one of the owners is a local job service manager. The term of the lease is July 1, 2022, through June 30, 2023. The annual lease amount for fiscal year 2023 was \$31.6 thousand. The manager retired from the department in June of 2023.

The Department of Labor and Industry Workforce Services Division rented space in Cut Bank, MT from Glacier Community Health Center, Inc., in which one of the active board members is a local job service manager. The lease expired on August 31, 2022 and is not being renewed. During fiscal year 2023, \$5.8 thousand in rent was paid towards this lease.

DNRC leases an office building in Glasgow, Montana, from a current DNRC employee. Annual lease payment for the building by DNRC is \$67.5 thousand. The lease is valid through September 30, 2025. This employee terminated their employment with DNRC as of June 3, 2023 and was not involved in any decision making in regards to the agency lease of the office building.

Per Administrative Rules of Montana 17.58.101, the Montana Petroleum Tank Release Compensation Board (Board) is an independent board that is attached to Department of Environmental Quality (DEQ) for administrative purposes only. Board members are required to follow Montana's code of ethics, which includes recusing oneself in matters related to a conflict of interest. One board member is an employee of a company that had a release of funds that were paid as direct payments to contractors on behalf of the company. The total amount of such payments was \$96.7 thousand for the fiscal year ended June 30, 2023.

There are campus-affiliated foundations within the Montana University System (MUS) identified in the Montana Board of Regents of Higher Education Policy 901.9 – Campus-Affiliated Foundations; Montana University System Foundation. The private foundations affiliated with campuses of the MUS provide support to their respective campuses, consistent with the mission and priorities of such campuses. Transactions occur between the Commissioner of Higher Education and said foundations as reimbursements for hosting MUS constituents and other related events and gatherings. Amounts differ each year based on the number of activities and events hosted in each fiscal year. For fiscal year 2023, transactions totaled \$10.9 thousand.

The MUS Group Insurance program offers insurance coverage and collects insurance premiums from the community colleges as a related party. The premium revenue collected was \$4.8 million for the fiscal year ended June 30, 2023.

All lotteries that offer multi-state games transact with the Multi-State Lottery Association (MUSL), which requires the lottery directors from each of the states to be on the MUSL board of directors. The Director of the Montana Lottery is on the MUSL board along with other directors of other states. The Director of the Montana Lottery is in a position to vote and have influence for both MUSL and the Montana Lottery who have significant transactions between each other. The Montana Lottery has prize reserves with MUSL in the amounts of \$1.1 million for the fiscal year ended June 30, 2023. The prize reserve monies are assets to the Montana Lottery and would be transferred over if the Montana Lottery were to quit any of the multi-state games. Weekly, MUSL collects each state's share of prize expenses to go towards respective jackpots. If a state has a large enough prize amount or number of winners for any particular draw, MUSL would then reimburse any state for the excess amount of prizes paid out. The Montana Lottery paid MUSL \$9.9 million for its share of prizes and received reimbursements for prizes in the amount of \$1.8 million for the fiscal year ended June 30, 2023.

The Department of Transportation had a financial employee who was also a county commissioner within the district they served. The department made payments of \$38.3 thousand for fiscal year 2023 to the same county.

**NOTE 16. CONTINGENCIES****Litigation**

The State is party to legal proceedings, which normally occur in government operations. In the opinion of the State's legal counsel and the Department of Administration, the likelihood the legal proceedings will have a material adverse impact on the State's financial position is remote, except where listed below.

PPL v. Montana involves ownership of sections of riverbed on the Missouri, Clark Fork, and Madison rivers. The case originated in 2003, when a group of parents of school-age children sued Petitioner PPL Montana, LLC (PPL), in Federal Court, alleging that the company must pay rent for the use of state-owned riverbeds to generate hydroelectric power. After the Federal Court dismissed the case for lack of jurisdiction, PPL filed an action in the state district court seeking a declaration that the state could not charge them rent for the use of the riverbeds at issue. The State intervened in the case and counterclaimed for a declaration that PPL and its co-plaintiffs unlawfully occupied state lands and must compensate the State Land Trust on behalf of its public beneficiaries for the use of those lands. The legal test for ownership of the riverbeds is whether the rivers at issue were navigable at the time of statehood. Based upon the historical record, the District Court granted the State summary judgment on the question of navigability, and the case proceeded to trial on the issue of compensation for the use of trust lands. In June of 2008, the Court issued its ruling and ordered that PPL owed the State almost \$41.0 million for past use of the riverbeds.

PPL appealed the decision to the Montana Supreme Court. The case was briefed and argued before the Court. In March 2010, the Montana Supreme Court issued a decision upholding the district court's finding of navigability and determination of compensation.

PPL appealed the case to the United States Supreme Court. The case was briefed and argued, and in February 2012, the Court reversed the Montana Supreme Court's decision. The United States Supreme Court concluded that the Montana courts had applied an incorrect legal standard for determining a river's navigability. The Court clarified that navigability had to be determined on a segment-by-segment basis. The Court remanded the case for further proceedings, and the case currently is pending in the Montana First Judicial District, Lewis and Clark County, Judge Michael McMahon presiding. The cause number is CDV 2004-846. Additional detail is provided below as the case has been remanded to the United States District Court, District of Montana, Helena Division.

The most obvious impact of the Supreme Court's decision is that the State is no longer entitled to the \$41.0 million judgment. The monetary amount that the State may be entitled to depends on the navigability of the rivers, which will have to be determined under the Supreme Court's segment-by-segment approach. Going forward, the litigation will focus on applying the Supreme Court's segmentation approach to determine the navigable reaches of the Madison, Clark Fork, and Missouri Rivers. At this stage, it is difficult to predict an outcome of this litigation.

A less obvious financial impact is the bill of costs that PPL submitted to the district court following the remand. PPL requested that the district court tax the State of Montana with \$1.2 million for PPL's costs relating to the appellate proceedings. All, but approximately \$31.0 thousand, relate to premiums that PPL paid for a supersede as bond in support of staying the \$41.0 million judgment. In May 2012, the State filed its response to PPL's bill of costs and agreed to costs of \$31.3 thousand. However, the State moved the court to deny PPL's request for costs related to the supersede as bond. The parties stipulated to hold this issue in abeyance until the court rules on all remaining matters in the case. Counsel for the State has agreed to release the supersede as bond. In the opinion of counsel, there are good legal arguments that support the State's position that it should not be required to pay the supersede as bond premiums; however, legal and procedural uncertainties exist that make an adverse determination reasonably possible.

This case is now known as State of Montana v. Talen Montana, LLC et al. (Cause No. CV 16-35-H-DLC-JCL). A bench trial occurred on January 3 through January 19, 2022. No decision was made by the Judge. The parties were required to submit amended proposed findings of fact and conclusions of law.

The State of Montana submitted its proposed findings and conclusions on April 29, 2022, and an amended proposed findings and conclusions on May 13, 2022. Talen filed notice of suggestion of bankruptcy on May 10, 2022. The Court entered an automatic stay of proceedings because of the bankruptcy filing on June 23, 2022. The Court lifted the stay on September 16, 2022, and ordered Talen to respond to Montana's amended proposed findings of fact and conclusions of law by October 6, 2022, which Talen complied with on October 6, 2022. The Court has not rendered a decision on parties' proposed findings of fact and conclusions of law. The State's claims against the utilities remained unchanged throughout trial, and the State still holds the opinion that no further potential liability to the State is expected relative to this action.

The Court entered its Findings of Fact and Conclusions of Law on August 25, 2023, quieting title in favor of Montana on certain segments, in favor of the United States in all other disputed reaches, and in favor of Talen and NorthWestern for the riverbed lying between the ordinary low water marks of certain disputed reaches. The Court certified its liability findings as final for purposes of appeal to the Ninth Circuit, staying its determination of damages pending the Ninth Circuit's resolution of the appeal. Montana appealed, and Talen and NorthWestern cross-appealed. Briefing in the Ninth Circuit is currently set to begin on March 13, 2024.

Diaz et al. v. Blue Cross and Blue Shield of Montana et al. (Diaz) was a lawsuit filed in the Montana First Judicial District Court, Lewis and Clark County, Cause No. BVD-2008-956, in October 2008, by plaintiffs Jeanette Diaz, Leah Hoffman-Bernhardt, and Rachel Laudon, individually, and on behalf of others similarly situated, naming Blue Cross and Blue Shield of Montana (BCBS), New West Health Services (New West), Montana Comprehensive Health Association, and the State of Montana (State) as defendants. The complaint alleges that the defendants have violated the made-whole laws of Montana and illegally given themselves subrogation rights.

On June 12, 2009, the Plaintiffs filed with the District Court a motion for class certification. The District Court Judge denied the Plaintiffs' motion for class certification on December 16, 2009. The Plaintiffs appealed this decision to the Montana Supreme Court. As part of the review of the underlying decision denying class certification, the Montana Supreme Court remanded the case to the District Court to determine the question of whether the made-whole laws, codified in Section 2-18-902 and Section 33-30-1102, MCA, apply to the various types of third-party administrators (TPAs) at issue in Diaz. The District Court held that these laws do not apply to TPAs. The Plaintiffs appealed this decision.

On December 21, 2011, the Supreme Court issued its decision, holding that the District Court abused its discretion in denying a class action and that BCBS and New West, as TPAs of the State's health plan, are not subject to the made-whole laws as "insurers" under Section 2-18-901 and Section 2-18-902, MCA, or under a third-party beneficiary theory.

On June 20, 2012, the District Court ruled on the State's summary judgment motion seeking an order from the court that the State has not violated the made-whole laws in the administration of its health plan. The court denied the State's motion, ruling that the State is an insurer for the purposes of the made-whole laws and that it must conduct a made-whole analysis before exercising and subrogation/coordination of benefits rights. The State filed with the District Court a motion requesting that the court certify its decision to the Montana Supreme Court. The District Court granted the motion, and the Montana Supreme Court, over the Plaintiffs' objection, ultimately agreed in a November 27, 2012, Order to hear this issue. The Plaintiffs also appealed to the Montana Supreme Court, the District Court's definition of the class action.

On August 6, 2013, the Montana Supreme Court issued its opinion, affirming the Montana First Judicial District Court's decision defining the class action to include only those State benefit plan members who had timely filed claims for covered benefits for services that took place no earlier than eight years before the filing of the Plaintiffs' complaint, which was October 23, 2008.

On November 6, 2013, the Montana Supreme Court issued its opinion, affirming the District Court's June 20, 2012, decision that the applicable made-whole laws apply to the State benefit plan.

On September 8, 2014, the District Court issued an order ruling on several motions that the parties had filed. The principal rulings were: (i) the Court authorized Plaintiffs to proceed with additional discovery to determine if the class definition should be altered or amended; (ii) given its order to allow additional discovery, the Court held in abeyance its decision on the State's Motion for Summary Judgment requesting that the class be limited to those who timely filed claims within the one-year filing restriction contained in the State's policy; (iii) the Court granted the Plaintiffs' motions asking the Court to require the State to conform its health plans, procedures, notices, and practices to comply with the Montana Supreme Court's rulings in this case and to pay covered medical expenses, await the resolution of claims against liability carriers, and then conduct a made-whole determination before it can exercise subrogation or accept reimbursements from its members or providers; and (iv) the Court ordered the parties to develop a class notice to be sent to past and current plan members dated back to eight years before this suit was filed. The State and Plaintiffs' counsel developed the notice that has been sent to class members.

On April 13, 2015, the District Court issued an Order on Interest to Be Paid, requiring the State to include in the payments ultimately made to class members' interest at the rate of 10.0% per annum. For claims arising before December 24, 2009, interest would begin 30 days following the Montana Supreme Court's decision in Blue Cross and Blue Shield of Montana, Inc. v. Montana State Auditor. For any claims arising after December 24, 2009, interest would begin starting on the day the underlying medical expenses were incurred.

On October 5, 2015, the Plaintiffs filed with the District Court a motion directing the State to pay attorney fees arising from the class action suit. On November 9, 2015, the District Court issued an order denying Plaintiffs' motion for attorney fees.

On December 14, 2015, the District Court issued an order certifying that its orders concerning interest and attorney fees were final for purposes of an appeal to the Montana Supreme Court. On January 12, 2016, the Plaintiffs filed a Notice of Appeal with the Montana Supreme Court, appealing the interest and attorney fee orders.

Pursuant to the Montana Supreme Court's mandatory mediation process, the parties reached a settlement on attorney fee payments; however, the parties did not reach an agreement on the interest issue. On October 25, 2016, the Montana Supreme Court issued its ruling on the interest issue, finding that November 14, 2009, is the date that interest commences; and, for claims arising after November 14, 2009, interest will begin starting on the day the underlying medical expenses were incurred.

On April 28, 2017, the District Court appointed a Special Master to consider and resolve issues regarding expanding the class to persons with unsubmitted claims; whether to include claims after 2009; whether the State must identify members from third-party administrators other than Blue Cross/Blue Shield; whether, if at all, the State must reform its systematic practices; supervising the payment and notice process; which party or parties should pay the Special Master for her time and expenses; whether the District Court should approve a partial payment of attorney fees; setting a time frame for making claims; setting a time for ending the class action; determining payment of residual funds; and any other issues as necessary to facilitate the swift and equitable resolution of the case.

As of June 30, 2017, the State paid Plaintiffs \$1.4 million in based payments plus interest.

On June 21, 2017, the Special Master issued a report and recommended order regarding the partial payment of the Plaintiffs' counsels' attorney fees. This recommendation was based on a stipulation the State and the Plaintiffs' counsel had reached, agreeing that the State would pay counsel \$400.8 thousand for claims made by individuals that could be documented. The State has paid this amount to class counsel.

The Special Master issued a second report and recommended an order expanding the class on August 8, 2018. The principal findings of this recommendation were to expand the class definition to include those individuals who did not submit claims to the State for processing; to expand the class to end June 30,



2016; and to redefine the class as (a) employees, employee dependents, retirees, and retiree dependents who participate or participated in the State of Montana's health benefit plan(s), administered or operated by the State and/or the third party administrators whose claims for covered benefits took place no earlier than eight years prior to the filing of the complaint in this action, which was October 23, 2008; (b) who were injured through the legal fault of persons who have legal obligations to compensate them for all damages sustained; and (c) who have not been made whole for their damages (or for whom the State and TPAs conducted no made-whole analysis) because the State and the third party administrators programmatically failed to pay benefits for their covered medical costs. On October 29, 2018, the District Court Judge issued an Order Adopting the Special Master's Report Expanding the Class.

As of June 30, 2018, the State paid Plaintiffs \$1.7 million in based payments plus interest.

On April 23, 2019, the District Court Judge approved the parties' motion for a process to identify and distribute residual funds for known class members on the master list for Blue Cross Blue Shield of Montana claims. On May 2, 2019, the State issued payment of \$122.0 thousand to the Hunt Law Firm for the residual funds and interest thereon.

On May 1, 2019, the parties filed the Notice to Special Master of Agreement on Notice Procedure. Pursuant to that notice, the State distributed notices to all former and current State employees enrolled in the State health plan between January 1, 2010, through June 30, 2016. Notice was distributed through email and first-class mail. The initial distribution of notices was May 23, 2019. The deadline for a claimant to return a claim to the State was November 30, 2019.

As of June 30, 2019, the State paid Plaintiffs \$2.0 million, including the payment for residual funds and interest.

As of June 30, 2020, the State paid Plaintiffs \$2.9 million for claim payments, interest, and attorney fees for Plaintiffs' counsel.

As of February 28, 2021, the state paid Plaintiffs a cumulative \$3.0 million for claim payments, interest, and Plaintiffs' attorney fees.

On March 23, 2021, Plaintiffs filed a motion to enforce an October 29, 2018 Order to address first party medical payments coverage in casualty insurance policies (the "Med-pay Claims"). Plaintiffs contend that the Med-pay Claims should be paid. On July 23, 2021, Special Master held a hearing on Plaintiffs' motion.

As of June 30, 2023, the amount paid by State for claim payments, interest, and attorney fees for Plaintiffs' counsel has not changed from February 28, 2021. Since the case is ongoing, the State does not have sufficient information to determine the ultimate cost to the State.

Disability Rights Montana v. Gootkin and Salmonsén (Cause # CV-15-22) is a civil rights case filed by the ACLU of Montana on behalf of the Plaintiff, alleging deliberate indifference in the provision of mental health care to seriously mentally ill inmates at Montana State Prison. Plaintiff sought only declaratory and injunctive relief and later amended its complaint, seeking similar relief under Section 1983 of Title 42 of the United States Code, the Civil Action for Deprivation of Rights. The District Court had dismissed the case for failure to state a claim, which order was appealed by Plaintiffs to the Ninth Circuit Court of Appeals. The Ninth Circuit Court of Appeals overturned the district court's ruling and remanded the case back to the district court in front of a new judge. As a result, the Department of Corrections (Department) has participated in on-going discovery, with the aid of outside expert witnesses and the defense of the case through outside legal counsel. The parties had previously exchanged settlement proposals without success. Because of legislation enacted during the 2019 legislative session, the Department implemented significant changes in the use of restrictive housing, especially as related to seriously mentally ill inmates. The Plaintiff seeks only prospective injunctive and declaratory relief, as well as reasonable attorney's fees, litigation expenses and costs, which could likely exceed \$1.0 million.

On April 10, 2022, the parties entered into a settlement agreement in which the Department agreed to institute a number of changes in procedures related to the housing and treatment of the seriously mentally ill inmates at Montana State Prison, to be monitored by an independent monitor. The parties were responsible for their own attorney's fees and other litigation costs. The independent monitor has determined the Department is in substantial compliance with the terms of the settlement agreement. The Plaintiff is reviewing the most recent monitor report, and the parties are working on final resolution of several terms of the agreement. The projected costs for the independent monitor should not exceed \$250,000.

Vincent, Benner, and Hoch v. DPHHS (CDV-19-0314, Eighth Judicial District Court, Cascade County) was filed on May 17, 2019, by Montana Optometric Association members seeking class certification of all licensed Montana optometrists who are participating providers in Montana Medicaid. The named plaintiffs claim the Department's Medicaid rate structure discriminates against them because they are paid less than physicians (doctors of medicine or doctors of osteopathy) for performing the same services. They cite Section 37-10-104, MCA, as the basis of the discrimination claim. They seek declaratory relief and permanent injunctive relief in their claims of discrimination, violations of MAPA, breach of contract, and implied covenant of good faith. They request damages, interests, costs, and attorney fees, which would amount to more than \$1 million. Plaintiffs' motion for class certification has been granted. Notices are in the process of going out to class members.

Blixseth v. Montana Department of Revenue (MDOR), (BK Case No. 11-15010) Mr. Blixseth filed a Complaint in US Bankruptcy Court, District of Nevada, on December 23, 2021, against MDOR seeking costs, attorneys fees, and proximate and punitive damages. On January 25, 2022, the Department filed a Motion to Dismiss the adversary proceeding asserting Eleventh Amendment sovereign immunity. On July 27, 2022, the Bankruptcy Court granted the Department's Motion to Dismiss as to the punitive damages. However, the Bankruptcy Court denied the Department's Motion as to costs, attorneys fees, and proximate damages. The Department filed a Notice of Appeal to the 9<sup>th</sup> Circuit Bankruptcy Appellate Panel on August 10, 2022. Mr. Blixseth filed a Motion for Summary Disposition and an opposing motion to the Department's Notice of Appeal before the 9<sup>th</sup> Circuit on December 16, 2022. On that same day, Mr. Blixseth filed a Motion for Sanctions. The Department's opening brief was due to be filed on December 23, 2022. The Department filed an extension motion on the opening brief, but the 9<sup>th</sup> Circuit denied the motion, stating that the briefing schedule is stayed until resolution of Mr. Blixseth's Motion for Summary Disposition. On December 22, 2022, the Department file a response to Mr. Blixseth's Motion for Summary Disposition and he replied on December 28, 2022. The matter remains pending before the 9<sup>th</sup> Circuit. At this time, the litigation is still dealing with the threshold jurisdictional question and no discovery has been conducted. Without answers to the jurisdictional question and the without discovery, the "degree of probability of an unfavorable outcome and any associated loss" cannot be reasonably estimated. On March 31, 2023, the Department filed its opening Appellate Brief and on May 31, 2023, Mr. Blixseth filed his answering brief. The Ninth Circuit heard oral argument on the appeal on January 10, 2024, in Pasadena, CA.

Public Employee Retirement Board (PERB) – Refer to Note 6, section K, for contingency disclosure information.

Montana State Fund – Refer to Note 18, Section O, for contingency disclosure information.

### **Federal Contingencies**

Federal Grants – The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or financial and compliance audits by the granter agencies of the Federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the State. The State's

management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

Food Distribution Program – The amount reported for Food Distribution programs (Assistance Listing Number (ALN) #10.555, #10.565, #10.567, #10.569, and #93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the State to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. The State also distributes food commodities to other states in the western region of the United States, the value of which is excluded from the reported amounts. During fiscal year 2023, the State distributed \$288.3 thousand of food commodities under ALN #10.567 to other states.

The State distributed \$10.9 million in commodities in fiscal year 2023. The value at June 30, 2023, of commodities stored at the State’s warehouse, is \$7.2 million, for which the State is liable in the event of loss. The State has insurance to cover this liability.

**Miscellaneous Contingencies**

Gain Contingencies – Certain natural resource and corporate tax assessments are not reported on the State’s financial statements because they are being protested administratively. As of June 30, 2023, the following assessments (by fund type) were outstanding (in thousands):

<u>Taxes</u>	<u>General Fund</u>	<u>Special Revenue</u>
Oil & Gas Production Tax	\$ 229	\$ 43
Total	<u>\$ 229</u>	<u>\$ 43</u>

The collectability of these contingencies is dependent upon the decisions of the court, other authorities, or agreed-upon settlements. The corporate tax assessments include material estimates that could result in a significant reduction of the tax assessed once actual numbers are provided. Interest related to corporate tax assessments is distributed to the General Fund and is included in the assessment total above.

The oil and gas production tax noted above represents the state portion of the total protested amount of \$505.6 thousand.

Loss Contingencies – Certain corporations have requested refunds that are not reported on the State’s financial statements as of June 30, 2023. The corporations have appealed the Department of Revenue’s decision to deny or adjust the refund. As of June 30, 2023, these include \$256.7 thousand of General Fund corporation tax refunds. \$146.9 thousand of the \$256.7 thousand total is related to interest.

Certain companies have protested property taxes that have been included as revenue on the State’s financial statements as of June 30, 2023. As of June 30, 2023, these include \$59.5 thousand of protested property taxes recorded in the General Fund and \$68.6 thousand recorded in State Special Revenue Funds.

**NOTE 17. SUBSEQUENT EVENTS****Investment Related Issues**

Since June 30, 2023, the Board of Investments (BOI) has:

1. Made additional commitments to fund loans from the INTERCAP loan program of approximately \$31.6 million. In November 2023, BOI requested an additional advance of \$2.0 million to cover INTERCAP fundings.
2. Committed an additional \$125.0 million within Real Estate, \$157.0 million within Real Assets, and \$305.0 million within Private Investments, of which \$483.5 million is related to Consolidated Asset Pension Pool (CAPP), \$87.5 million to Trust Funds Investment Pool (TFIP), and \$16.0 million to Separately Managed Accounts (SMA) based on current exchange rates.
3. Funded an additional \$9.5 million to Montana lenders from the Coal Severance Tax Permanent Fund's In-State Loan Program.
4. Funded an additional \$2.5 million for the Veterans' Home Loan Program (VHLM) and an additional \$13.8 million for the Multi Family Coal Trust Home Program.

**Other Subsequent Events**

The 2023 Montana Legislature passed HB 569 appropriating \$27.6 million from the general fund to the Highway Patrol Officers' Retirement System (HPORS), \$26.8 million to the Sheriffs' Retirement System (SRS), and \$41.2 million to the Game Wardens' and Peace Officers' Retirement System (GWPORS) to amortize the systems in 25 years. The payments will be made for the fiscal year beginning July 1, 2023. More information is available in Note 6.

On February 20, 2024, the Department of Revenue issued a \$10.0 million corporate income tax refund out of the General Fund. This refund is related to an overpayment of estimated payments over the last few years.

The Department of Natural Resources prevailed in a litigation with Avista Corp., regarding the State's claim for rent on riverbed acreage occupied by their hydroelectric projects. In December 2023, Avista was required to release lease payments made under protest from escrow, and as a result, the State received \$24.5 million.

**NOTE 18. COMPONENT UNITS****A. Condensed Financial Statements**

Below are the condensed financial statements of the component units for the State of Montana as of June 30, 2023 (in thousands):

	Condensed Statement of Net Position						
	Component Units						
	Montana Board of Housing	Facility Finance Authority	Montana Reinsurance Association <sup>(1)</sup>	Montana State Fund <sup>(1)</sup>	Montana State University	University of Montana	Total Component Units
<b>Assets:</b>							
Cash, investments and other assets	\$ 635,277	\$ 9,906	\$ 15	\$ 1,572,170	\$ 916,670	\$ 774,942	\$ 3,908,980
Due from primary government	—	—	—	—	823	1,504	2,327
Due from component units	—	—	—	—	—	85	85
Capital assets (net) (Note 18C)	2,348	238	—	44,347	645,832	453,169	1,145,934
Total assets	637,625	10,144	15	1,616,517	1,563,325	1,229,700	5,057,326
<b>Deferred Outflows of Resources</b>							
	738	125	—	5,496	75,644	56,850	138,853
<b>Liabilities:</b>							
Accounts payable and other liabilities	9,231	17	249	83,670	73,132	72,749	239,048
Due to primary government <sup>(2)(3)</sup>	—	—	—	—	1,656	48	1,704
Due to component units	—	—	—	—	85	—	85
Advances from primary government <sup>(2)(3)</sup>	—	—	—	—	12,020	2,852	14,872
Long-term liabilities (Note 18I)	464,891	647	44,266	1,021,314	422,224	378,108	2,331,450
Total liabilities	474,122	664	44,515	1,104,984	509,117	453,757	2,587,159
<b>Deferred Inflows of Resources</b>							
	496	79	—	3,102	54,333	50,755	108,765
<b>Net Position:</b>							
Net investment in capital assets	(77)	(3)	—	44,347	416,411	259,905	720,583
Restricted	163,822	—	—	—	458,976	462,556	1,085,354
Unrestricted	—	9,529	(44,500)	469,580	200,132	59,577	694,318
Total net position	\$ 163,745	\$ 9,526	\$ (44,500)	\$ 513,927	\$ 1,075,519	\$ 782,038	\$ 2,500,255

<sup>(1)</sup> Montana Reinsurance Association and Montana State Fund report their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2022.

<sup>(2)</sup> Loans from the Coal Severance Tax Permanent Fund make up \$4.3 million and \$2.9 million of these balances for Montana State University and University of Montana, respectively.

<sup>(3)</sup> Loans from the Board of Investment's INTERCAP and the Department of Environmental Quality's energy conversion loan programs make up \$9.2 million of the balance for Montana State University.

## Condensed Statement of Activities

## Component Units

	Montana Board of Housing	Facility Finance Authority	Montana Reinsurance Association <sup>(1)</sup>	Montana State Fund <sup>(1)</sup>	Montana State University	University of Montana	Total Component Units
<b>Expenses</b>	\$ 20,702	\$ 779	\$ 44,827	\$ 201,148	\$ 743,632	\$ 525,910	\$ 1,536,998
<b>Program Revenues:</b>							
Charges for services	2,696	714	—	168,470	333,176	190,602	695,658
Operating grants and contributions	21,607	320	29,756	—	330,565	193,423	575,671
Capital grants and contributions	—	—	—	—	554	1,032	1,586
Total program revenues	24,303	1,034	29,756	168,470	664,295	385,057	1,272,915
Net (expense) program revenues	3,601	255	(15,071)	(32,678)	(79,337)	(140,853)	(264,083)
<b>General Revenues:</b>							
Unrestricted investment earnings (losses)	—	—	—	(123,360)	15,259	9,247	(98,854)
Payment from primary government <sup>(2)(3)</sup>	—	—	9,828	—	156,608	112,982	279,418
Gain on sale of capital assets	—	—	—	—	99	—	99
Miscellaneous	—	—	—	1,425	—	1	1,426
Contributions to term and permanent endowments	—	—	—	—	—	72,987	72,987
Total general revenues and contributions	—	—	9,828	(121,935)	171,966	195,217	255,076
Change in net position	3,601	255	(5,243)	(154,613)	92,629	54,364	(9,007)
Total net position – July 1 – as previously reported	160,133	9,271	(39,257)	668,540	982,890	728,081	2,509,658
Adjustments to beginning net position (Note 2)	11	—	—	—	—	(407)	(396)
Total net position – July 1 – as restated	160,144	9,271	(39,257)	668,540	982,890	727,674	2,509,262
Total net position – June 30	\$ 163,745	\$ 9,526	\$ (44,500)	\$ 513,927	\$ 1,075,519	\$ 782,038	\$ 2,500,255

<sup>(1)</sup> Montana Reinsurance Association and Montana State Fund report their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2022.

<sup>(2)</sup> Payments to both Montana State University and the University of Montana are appropriated by the State legislature to assist with higher education related costs.

<sup>(3)</sup> Payments to Montana Reinsurance Association is the association member assessments collected by Montana Commissioner of Securities and Insurance.

## B. Cash/Cash Equivalents and Investments

Due to the integration of funds and combined financial information, component unit cash and cash equivalents, equity in pooled investments, and investments are included with the primary government in Note 3. For more detail on investments held outside of the Montana Board of Investments, refer to the entity's respective separately issued financial statements.

### C. Capital Assets

The following table summarizes net capital assets reported by the discretely presented component units (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

	Montana State University	University of Montana	Other	Total
Capital assets not being depreciated:				
Land	\$ 8,203	\$ 8,306	\$ 1,139	\$ 17,648
Construction work in progress	34,574	63,755	196	98,525
Capitalized collections	10,077	28,726	—	38,803
Livestock for educational purposes	4,438	—	—	4,438
Total capital assets not being depreciated	57,292	100,787	1,335	159,414
Capital assets being depreciated:				
Infrastructure	45,122	9,904	—	55,026
Land improvements	35,775	16,468	—	52,243
Buildings/Improvements	894,575	691,050	27,941	1,613,566
Equipment	198,231	127,748	7,753	333,732
Livestock	—	245	—	245
Library books	68,335	61,765	—	130,100
Leasehold improvements	8,668	—	—	8,668
Right to use lease buildings <sup>(1)</sup>	47,947	143	8,307	56,397
Right to use lease equipment <sup>(1)</sup>	441	1,198	—	1,639
Right to use subscriptions	5,562	24,228	—	29,790
Total capital assets being depreciated	1,304,656	932,749	44,001	2,281,406
Total accumulated depreciation	(734,263)	(589,560)	(14,366)	(1,338,189)
Total capital assets being depreciated, net	570,393	343,189	29,635	943,217
Intangible assets	109	968	15,963	17,040
MSU Component Unit capital assets not being depreciated	5,905	—	—	5,905
MSU Component Unit capital assets being depreciated, net	12,133	—	—	12,133
UM Component Unit capital assets not being depreciated	—	3,129	—	3,129
UM Component Unit capital assets being depreciated, net	—	5,096	—	5,096
Discretely Presented Component Units capital assets, net	\$ 645,832	\$ 453,169	\$ 46,933	\$ 1,145,934

<sup>(1)</sup> Beginning balances for right to use assets were restated due to GASB 87 implementation.

Total right to use lease capital assets (in thousands):

	Montana State University	University of Montana	Other	Total
Right to Use Lease Capital Assets	\$ 53,950	\$ 25,569	\$ 8,307	\$ 87,826
Right to Use Lease Accumulated Amortization	(10,008)	(9,986)	(1,116)	(21,110)
Total Right to Use Lease Capital Assets, net	\$ 43,942	\$ 15,583	\$ 7,191	\$ 66,716

#### **D. Other Postemployment Benefits (OPEB)**

Non-university component units are included in the State of Montana benefit plan, whereas the Office of the Commissioner of Higher Education (included in the primary government otherwise) is included in the Montana University System benefit plan. For these reasons, component unit OPEB information is included in Note 7.

#### **E. Risk Management**

**(1) Montana State Fund or New Fund (MSF)** – MSF estimates unpaid claims and claim adjustment expenses based on the ultimate cost of settling the claims, including the effects of inflation and other societal/economic factors. There are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage for the last three years for MSF. This fund uses the accrual basis of accounting. Montana State Fund investments are recorded at fair value, and the premiums and discounts are amortized using the scientific interest method over the life of the securities.

This fund provides liability coverage to employers for injured employees who are insured under the Workers' Compensation and Occupational Disease Acts of Montana and workers' compensation claims occurring on or after July 1, 1990. MSF is a self-supporting, competitive State fund, and functions as the guaranteed market. At December 31, 2022, approximately 23,000 employers were insured with MSF. Anticipated investment income is considered for computing a premium deficiency, and employers must pay premiums to MSF within specified time frames.

An actuarial study prepared by WTW, as of December 31, 2022, estimated the cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. Due to the fact that actual claim costs depend on complex factors such as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. As of December 31, 2022, \$924.4 million of unpaid claims and claim adjustment expenses were presented at face value.

Section 39-71-2311, MCA, requires MSF to set premiums, at least annually, at a level sufficient to ensure adequate funding of the insurance program during the period the rates will be in effect. It also requires MSF to establish a minimum surplus above risk-based capital requirements to support MSF against risks inherent in the business of insurance.

For the year ended December 31, 2022, MSF ceded premiums to other reinsurance companies to limit the exposure arising from large losses. This arrangement, an excess of loss contract, provides coverage for occurrences up to \$100.0 million; however, MSF retains the first \$10.0 million of coverage. The excess of loss protection applies to an individual occurrence with a maximum of \$10.0 million on any one life.

In the event reinsurers are unable to meet their obligations, MSF would remain liable for all losses, as the reinsurance agreements do not discharge MSF from its primary liability to the policyholders.

Premium revenue was reduced by premiums paid for reinsurance coverage of \$2.0 million during the year ended December 31, 2022.

Estimated claim reserves were reduced by \$1.6 million as of December 31, 2022, for the amount of reinsurance estimated to be ultimately recoverable on incurred losses.



**(2) Montana Reinsurance Association (MRA)** – MRA estimates its liability for claims that were incurred before year-end, but for which payment will not be made until after year-end. The estimate is based on information concerning incurred but not reported claims provided by MRA members that are currently participating in the Montana individual marketplace. The MRA's Board monitors the estimates with assistance from actuarial consultants, and the necessary adjustments are reflected in current operations. As of December 31, 2022, \$44.3 million of the provision for unreported and unpaid claims were presented at face value. Differences between actual and estimated claims are charged to operations in the year that the differences, if any, become known.

The provision for incurred losses and loss adjustments increased during the year ended December 31, 2022. The change is primarily due to unanticipated developments during the year on losses incurred from previous years, and the corresponding change in the actuarial estimates of ultimate liabilities for incurred claims from those years.

**(3) Changes in Claims Liabilities for the Past Two Years** – As indicated above, the funds establish liabilities for both reported and unreported insured events, including estimates of future payments of losses and related claim adjustment expenses. The following table presents changes (in thousands) in the aggregate liabilities for Montana State Fund net of estimated reinsurance recoverable, and the liabilities for Montana Reinsurance Association. The information presented is at face value and has not been discounted.

Year Ended December 31,	<u>Montana State Fund</u>		<u>Montana Reinsurance Association</u>	
	2022	2021	2022	2021
Unpaid claims and claim adjustments expenses at beginning of year	\$ 935,977	\$ 940,161	\$ 39,115	\$ 32,890
Incurred claims and claim adjustment expenses:				
Provision for insured event of the current year	129,509	133,103	44,266	39,116
Increase (decrease) in provision for insured events of prior years	(26,980)	(29,843)	254	(7,681)
Total incurred claims and claim adjustment expenses	102,529	103,260	44,520	31,435
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	(25,836)	(27,152)	—	—
Claims and claim adjustment expenses attributable to insured events of prior years	(88,278)	(80,292)	(39,369)	(25,210)
Total payments	(114,114)	(107,444)	(39,369)	(25,210)
Total unpaid claims and claim adjustment expenses at end of year	\$ 924,392	\$ 935,977	\$ 44,266	\$ 39,115

## F. Lease Payables and SBITA Payables

Discretely presented component units reported lease payables primarily related to the use of buildings and equipment. The discretely presented component units' SBITA payables are associated with the subscriptions of underlying IT assets provided by the SBITA vendors. Information regarding the right to use assets associated with leases and SBITAs can be found in Section C of Note 18.

Principal and interest requirements to maturity for leases at June 30, 2023, were as follows (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

Fiscal Year Ended June 30:	Montana State University		University of Montana		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 4,563	\$ 637	\$ 291	\$ 15	\$ 366	\$ 120	\$ 5,220	\$ 772
2025	4,625	556	159	8	373	113	5,157	677
2026	3,906	485	152	3	388	107	4,446	595
2027	3,997	420	27	—	401	101	4,425	521
2028	3,854	355	—	—	409	94	4,263	449
2029 - 2033	9,571	1,148	—	—	2,170	366	11,741	1,514
2034 - 2038	4,117	662	—	—	2,312	183	6,429	845
2039 - 2043	3,406	399	—	—	884	17	4,290	416
2044 - 2048	3,357	113	—	—	—	—	3,357	113
Total	\$ 41,396	\$ 4,775	\$ 629	\$ 26	\$ 7,303	\$ 1,101	\$ 49,328	\$ 5,902

Principal and interest requirements to maturity for SBITAs at June 30, 2023, were as follows (in thousands):

Fiscal Year Ended June 30:	Montana State University		University of Montana		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,494	\$ 33	\$ 7,057	\$ 280	\$ 8,551	\$ 313
2025	834	18	3,566	158	4,400	176
2026	434	9	2,977	57	3,411	66
2027	309	2	1,135	14	1,444	16
2028	—	—	425	—	425	—
Total	\$ 3,071	\$ 62	\$ 15,160	\$ 509	\$ 18,231	\$ 571

## G. Lease Receivables

The leases receivables reported by Montana State University (MSU) and the University of Montana (UM) were associated with the leasing of building space. For the fiscal year ended June 30, 2023, MSU reported total lease revenue of \$362.6 thousand and related interest revenue of \$29.8 thousand while UM reported total lease revenue of \$275.9 thousand and related interest revenue of \$128.1 thousand.

## H. Debt Service Requirements

Debt service requirements of discretely presented component units at June 30, 2023, were as follows (in thousands):

Fiscal Year Ended June 30:	Montana Board of Housing		Montana State University		Montana State University Direct Placement		University of Montana	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 16,725	\$ 14,778	\$ 8,485	\$ 6,176	\$ 350	\$ 251	\$ 3,255	\$ 8,374
2025	16,825	14,420	8,585	5,973	365	241	3,380	8,246
2026	19,440	14,037	8,920	5,702	375	230	3,515	8,113
2027	18,300	13,522	8,195	5,449	385	219	3,670	7,958
2028	19,170	13,008	8,505	5,185	395	207	3,845	7,782
2029 - 2033	94,375	56,150	37,260	22,050	2,155	855	22,165	35,968
2034 - 2038	85,166	40,864	37,165	15,070	2,500	517	26,705	31,434
2039 - 2043	73,615	27,228	36,560	8,625	2,275	135	31,255	26,879
2044 - 2048	64,695	14,552	26,260	2,134	—	—	36,695	21,432
2049 - 2053	41,285	3,722	—	—	—	—	76,415	11,669
Total	\$ 449,596	\$ 212,281	\$ 179,935	\$ 76,364	\$ 8,800	\$ 2,655	\$ 210,900	\$ 167,855

## I. Summary of Changes in Long-term Liabilities Payable

Long-term liability activity of discretely presented component units for the year ended June 30, 2023, was as follows (in thousands):

	Beginning Balance <sup>(2)</sup>	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
<b>Discretely presented component units</b>						
Bonds/notes payable						
Montana Board of Housing	\$ 474,922	\$ 39,412	\$ 55,425	\$ 458,909	\$ 16,725	\$ 442,184
Montana State University (MSU)	204,067	16,039	25,607	194,499	8,485	186,014
MSU Direct Placement	9,105	—	305	8,800	350	8,450
University of Montana (UM)	160,914	67,868	4,147	224,635	3,255	221,380
Total bonds/notes payable <sup>(1)</sup>	849,008	123,319	85,484	886,843	28,815	858,028
Other liabilities						
Right to use lease payable <sup>(4)</sup>	40,664	13,918	5,254	49,328	5,220	44,108
Right to use SBITA payable <sup>(5)</sup>	—	29,340	11,109	18,231	8,551	9,680
Compensated absences payable	70,430	27,725	25,031	73,124	28,302	44,822
Arbitrage rebate tax payable	1,044	501	556	989	47	942
Estimated insurance claims	975,092	147,049	153,483	968,658	173,084	795,574
Due to federal government	20,849	26	5,106	15,769	—	15,769
Derivative instrument liability <sup>(4)</sup>	79	—	79	—	—	—
Reinsurance funds withheld	65,318	—	7,035	58,283	—	58,283
Unearned compensation	579	100	41	638	—	638
Net pension liability	160,424	89,091	36,832	212,683	—	212,683
Total OPEB liability	50,480	16,373	28,202	38,651	—	38,651
Total other liabilities	1,384,959	324,123	272,728	1,436,354	215,204	1,221,150
	2,233,967	447,442	358,212	2,323,197	244,019	2,079,178
Long-term liabilities of Montana University System component units <sup>(3)</sup>					227	8,026
Total discretely presented component units' long-term liabilities					\$ 244,246	\$ 2,087,204

(1) When applicable, this amount includes unamortized discounts and unamortized premiums.

(2) Beginning balances are taken from component unit financial statements, which may have been adjusted from the prior year's ending balances.

(3) Inter-entity transaction eliminations between Montana University System component units for debt shown in the component unit information can cause negative balances in component unit information.

(4) The beginning balance has been restated due to prior period adjustments.

(5) The right-to-use SBITA payable resulted from the implementation of GASB 96.

## J. Refunded and Early Retired Debt

### Refunded Debt

On June 22, 2023, Montana State University (MSU) issued Series J 2023 tax-exempt bonds in the amount of \$14.4 million, to refund the Series F 2018 Facilities Refunding Revenue bonds. The refunding resulted in an economic loss of \$4.5 thousand.

### Defeased Debt Outstanding

The University of Montana has defeased certain bond issues by placing the proceeds of new bonds in an irrevocable trust. The proceeds, together with interest earned thereon, will be sufficient for future debt service payments on the refunded issues. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's consolidated financial statements. As of June 30, 2023, \$70.6 million of bonds outstanding were considered defeased.

## K. Conduit Debt

Information is presented below for financing authorities participating in debt issues. The State has no commitment or obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

### Facility Finance Authority (FFA)

FFA is authorized to issue bonds and notes to finance projects for qualifying health care and other community-based service providers. The revenue bonds are payable solely from loan repayments to be made by eligible facilities pursuant to loan agreements, and further, from the funds created by the indentures and investment earnings thereon. The notes are payable solely from loan repayments pursuant to loan agreements. The revenue bonds and notes payable issued by FFA do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2023, revenue bonds and notes outstanding aggregated \$1.4 billion.

### Montana Board of Housing (MBOH)

MBOH is authorized to issue bonds and make mortgage loans in order to finance affordable housing for Montana residents. The bonds are special limited obligations, payable solely from pledged revenues and assets of the borrower, not general obligations of MBOH. These bonds issued by MBOH do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2023, bonds outstanding aggregated \$291.7 million.

## L. Non-Exchange Financial Guarantee

BOI provides loan guarantees from STIP, TFIP, and the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled \$109.1 million as of June 30, 2023. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute, which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI and FFA have entered into an agreement detailing repayment to BOI. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2023 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
\$	113,573	—	4,440	109,133

**M. Derivative Instrument Transactions Related to Long-term Debt**

Montana State University (MSU) has terminated its two interest rate swaps agreements in fiscal year 2023 and as of June 30, 2023, had no related outstanding obligations. The changes in the derivative instrument liability is detailed in Note 18I.

**N. Related Party Transactions**

Private nonprofit organizations with relations to the University of Montana (UM) include the University of Montana Alumni Association, the Montana Technology Enterprise Center (MonTEC), the Montana Tech Digger Athletic Association, and the Montana Tech Alumni Association. The associations and athletic association operate exclusively to encourage, promote, and support educational programs, research, scholarly pursuits, and athletics at, or in connection with, UM. For the year ended June 30, 2023, \$346.6 thousand was transferred from or expended by the Montana Tech Digger Athletic Association for scholarships, academic, and institutional support. In exchange, UM provides the associations and athletic association with office space, staff, and some related office expenses.

MonTEC was established as a nonprofit 501(c)3 corporation in fiscal year 2001 as a result of an agreement between UM and the Missoula Area Economic Development Foundation (MAEDF). MonTEC provides low-cost lease space and business consulting to local “start-up” companies. The corporation’s board of directors is comprised of no less than five members and no more than nine members. The UM’s Vice President for Research is the President of MonTEC and a voting member of the board of MonTEC. UM does not provide office space or other services to MonTEC.

Private nonprofit organizations affiliated with Montana State University (MSU) include the MSU-Bozeman Bookstore, Friends of KUSM, and Friends of KEMC. MSU-Bozeman leased certain office space from the MSU Foundation’s wholly-owned subsidiary, Advanced Technology Inc. (ATI). Rental and other payments to ATI totaled \$623.0 thousand for the year ended June 30, 2023. Friends of Montana Public Television provided \$2.4 million and Friends of KEMC Public Radio provided \$1.2 million in support of the MSU’s television and radio stations for the year ended June 30, 2023.

**O. Litigation Contingencies**

All component units for the State of Montana are closely monitoring if they are involved in litigation arising in the normal course of business. There are no known matters at this time that will have a material adverse financial impact.

**P. Subsequent Events**

On July 10, 2023, Montana Board of Housing (MBOH) approved the North 3<sup>rd</sup> Apartment Project Bond Resolution in an amount not to exceed \$66.6 million. This project subsequently closed on November 15, 2023, for an amount not to exceed \$49.0 million.

On July 10, 2023, MBOH approved the Bozeman Apartments (now Lumberyard) Project Bond Resolution in an amount not to exceed \$35.0 million. This project is closed on December 14, 2023, for an amount not to exceed \$35.0 million.

On July 25, 2023, the Union Place project bonds closed for an amount not to exceed \$8.9 million.

On August 3, 2023, MBOH issued Single Family Mortgage Bonds, Series A (non-AMT), in the aggregate principal amount of \$41.0 million for the purpose of acquiring additional mortgage and down payment assistance loans for eligible Montana residents.

On August 14, 2023, MBOH approved the Parkview Apartments Project Bond Resolution in an amount not to exceed \$15.0 million. The project subsequently closed on October 6, 2023, for an amount not to exceed \$11.5 million.

On August 14, 2023, MBOH approved the Bond Resolution for the Single Family Mortgage Bonds, 2023 Series B (non-AMT), in the aggregate principal amount not to exceed \$75.0 million, for the purpose of acquiring additional mortgage and down payment assistance loans for eligible Montana residents. On October 24, 2023, MBOH issued the bonds in the aggregate principal amount of \$43.0 million.

On September 12, 2023, MBOH approved the Baxter Apartments Project Bond Resolution in an amount not to exceed \$9.0 million. This project subsequently closed on November 17, 2023, for an amount not to exceed \$7.3 million.

On October 12, 2023, the Highland Manor project bonds closed for an amount not to exceed \$4.0 million.

On November 13, 2023, MBOH approved the Bond Resolution for the Single Family Mortgage Bonds, Series C (non-AMT), in the aggregate principal amount not to exceed \$75.0 million. The proceeds of the bonds are primarily used for the purpose of acquiring additional mortgage and down payment assistance loans for eligible Montana residents. These bonds were issued on December 14, 2023, in the aggregate principal amount not to exceed \$43.0 million.

On November 13, 2023, MBOH approved the Manor Project Bond Resolution in an amount not to exceed \$8.5 million.

On December 11, 2023, MBOH approved Idaho Housing and Finance Association as Master Servicer, part of a strategic shift in MBOH's business model from using Mortgage Revenue Bond proceeds to purchase whole loans to purchasing mortgage backed securities. MBOH anticipates finalizing the contract on March 15, 2024, and expects this business model change to occur in the next fiscal year.

On January 8, 2024, MBOH approved the Twin Creek 4 Apartments Bond Resolution in an amount not to exceed \$10.5 million, and the 7<sup>th</sup> and Aspen Project Bond Resolution in an amount not to exceed \$4.3 million.

On November 7, 2023, Montana Facility Finance Authority (FFA) issued a direct loan in the amount of \$119.6 thousand to the Mineral Community Hospital for the purpose of replacing an aging water heating and cooling system.

On November 8, 2023, FFA issued a direct loan in the amount of \$255.6 thousand to the Glendive Medical Center for the purpose of replacing aging radiology equipment.

On December 15, 2023, FFA issued a direct loan in the amount of \$500.0 thousand, and a trust fund loan in the amount of \$427.0 thousand for a total of 927.0 thousand to the Bitterroot Health.

On February 8, 2024, FFA issued a trust fund loan in the amount of \$1.5 million and a direct loan in the amount of \$500.0 thousand to Community Hospital of Anaconda to finance the completion of renovation and expansion of the hospital's cancer center and to purchase surgical equipment.

On September 21, 2023, the Montana University System Board of Regents granted Montana State University (MSU) authority to the following:

- Expend up to \$92.0 million to construct five academic buildings to serve the Mark and Robyn Jones College of Nursing. The project will leverage the \$101.0 million donor investment from Mark and Robyn Jones to transform healthcare delivery in Montana for current and future generations.
- Expend up to \$50.0 million to construct Gianforte Hall to serve the Gianforte School of Computing. The project will leverage the \$50.0 million donation by the Gianforte Family Foundation.
- Spend up to \$3.0 million to perform an investment-grade energy audit for academic, research, and administrative facilities at MSU to identify strategic opportunities to reduce utility consumption, maintenance costs, and environmental impacts.

On November 17, 2023, the Montana University System Board of Regents granted MSU authority to the following:

- Spend up to \$6.5 million for the construction of pedestrian access improvements to improve safe access along Grant Street.
- Spend up to \$25.0 million to design and construct the Facilities Yard Relocation Project.
- Expend up to \$25.0 million for the construction of an indoor athletic practice facility.

On November 17, 2023, the Montana University System Board of Regents authorized MSU - Northern to expend up to \$2.5 million to program, plan, and design the Aurora Center Health and Recreation Complex.

On September 8, 2023, Montana State Fund's Board of Directors declared a dividend of \$35.0 million that was distributed to eligible policyholders during October.

On January 11, 2024, the Montana University System Board of Regents authorized MSU to spend up to \$13.0 million to develop parking improvements on the Bozeman campus tied to multiple construction projects in the South District of campus.

#### **Q. Commitments**

As of June 30, 2023, Montana State University (MSU) had issued purchase orders committing the expenditure of approximately \$33.2 million for equipment, supplies, and services which had not yet been received.

As of June 30, 2023, the University of Montana (UM) has spent \$71.6 million of \$154 million in budget authorizations for capital and maintenance projects.

As of June 30, 2023, Montana Board of Housing (MBOH) has committed \$3.1 million to purchase Single Family Mortgages, consisting of \$50.0 thousand for Foreclosure Prevention, \$863.0 thousand for Disabled Affordable Accessible Homeownership, \$726.4 thousand for Lot Refinance, and \$1.5 million for Habitat for Humanity.



**NOTE 19. COMPLIANCE WITH FINANCE-RELATED LEGAL PROVISIONS****Constitutionality of Retirement Plan Funding**

The Montana Constitution, Article VIII, Section 15, and Section 19-2-409, MCA state that public retirement systems shall be funded on an actuarially sound basis. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost, in addition to amortizing the unfunded liability over a period not to exceed 30 years, except that with respect to Judges' Retirement System (JRS), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), and Game Wardens' and Peace Officers' Retirement System (GWPORS), the unfunded liabilities must be paid using the layered amortization approach with a 25-year closed amortization period for the legacy unfunded liability as of June 30, 2023, and 10-year closed amortization period for contemporary unfunded liability which is the incremental change in the unfunded liability in the subsequent actuarial valuations.

A traditional funding actuarial valuation of each of the defined benefit plans is performed annually. The purpose of the traditional funding actuarial valuation is to measure funding progress and to determine the actuarial determined contribution, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position. The most recent actuarial valuation was performed for fiscal year ended June 30, 2023. The statutory funding rate is tested in the valuation of each public retirement plan to determine if it is sufficient to cover the normal cost rate plus an amortization payment of the unfunded actuarial liability, if any, within 30 years or 25 years for JRS, HPORS, SRS, and GWPORS. As of June 30, 2023, all the public retirement systems were in compliance with the state law.

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**  
(amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Licenses/permits	\$ 149,808	\$ 149,808	\$ 155,003	\$ 5,195
Taxes:				
Natural resource	56,632	56,632	115,793	59,161
Individual income	1,588,388	1,588,388	1,759,856	171,468
Corporate income	174,024	174,024	308,829	134,805
Property	339,302	339,302	162,176	(177,126)
Fuel	—	—	—	—
Other	278,580	278,580	294,299	15,719
Charges for services/fines/forfeits/settlements	26,665	26,665	27,457	792
Investment earnings (losses)	—	—	121,851	121,851
Sale of documents/merchandise/property	324	324	291	(33)
Rentals/leases/royalties	38	38	37	(1)
Contributions/premiums	—	—	130	130
Grants/contracts/donations	8,654	8,654	17,469	8,815
Federal	15,098	15,098	31,372	16,274
Federal indirect cost recoveries	238	238	380	142
Other revenues	154	154	92	(62)
Total revenues	<u>2,637,905</u>	<u>2,637,905</u>	<u>2,995,035</u>	<u>357,130</u>
<b>EXPENDITURES</b>				
Current:				
General government	826,330	826,330	408,047	418,283
Public safety	382,043	382,043	365,312	16,731
Transportation	15,000	15,000	15,000	—
Health and human services	667,481	667,481	616,588	50,893
Education	1,221,568	1,221,568	1,195,410	26,158
Natural resources	46,439	46,439	63,697	(17,258)
Debt service (Note RSI-1):				
Principal retirement	—	—	11,568	(11,568)
Interest/fiscal charges	—	—	1,533	(1,533)
Capital outlay (Note RSI-1)	—	—	12,312	(12,312)
Total expenditures	<u>3,158,861</u>	<u>3,158,861</u>	<u>2,689,467</u>	<u>469,394</u>
Excess of revenue over (under) expenditures	<u>(520,956)</u>	<u>(520,956)</u>	<u>305,568</u>	<u>826,524</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	22	22	52	30
General capital asset sale proceeds	107	107	209	102
Bond issued	—	—	—	—
Energy conservation loans	—	—	—	—
Transfers in (Note 12)	360,514	360,514	135,610	(224,904)
Transfers out (Note 12)	(541,566)	(541,566)	(589,743)	(48,177)
Total other financing sources (uses)	<u>(180,923)</u>	<u>(180,923)</u>	<u>(453,872)</u>	<u>(272,949)</u>
Net change in fund balances (Budgetary basis)	<u>(701,879)</u>	<u>(701,879)</u>	<u>(148,304)</u>	<u>553,575</u>
<b>RECONCILIATION OF BUDGETARY/GAAP REPORTING</b>				
1. Securities lending income	—	—	193	193
2. Securities lending costs	—	—	(96)	(96)
3. Inception of right-to-use and financed purchase payables	—	—	6,773	6,773
4. Adjustments for nonbudgeted activity	—	—	—	—
(GAAP basis)	<u>(701,879)</u>	<u>(701,879)</u>	<u>(141,434)</u>	<u>560,445</u>
Fund balance - July 1	—	—	1,996,619	1,996,619
Prior period adjustments	—	—	69,127	69,127
Increase (decrease) in inventories	—	—	(619)	(619)
Fund balances - June 30	<u>\$ (701,879)</u>	<u>\$ (701,879)</u>	<u>\$ 1,923,693</u>	<u>\$ 2,625,572</u>

The notes to the required supplementary information are an integral part of this schedule.

Budgetary data is not broken down to the same account level as actual financial statement data, which accounts for some of the larger variances.

The original and final budget figures reflect adjustments to the original budget for various reasons, including legislative and executive changes.

STATE SPECIAL REVENUE FUND				FEDERAL SPECIAL REVENUE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
\$ 307,745	\$ 307,745	\$ 329,007	\$ 21,262	\$ —	\$ —	\$ —	\$ —
63,058	63,058	113,647	50,589	—	—	—	—
—	—	—	—	—	—	—	—
12	12	14	2	—	—	—	—
21,810	21,810	23,209	1,399	—	—	—	—
282,138	282,138	281,739	(399)	—	—	—	—
218,209	218,209	235,065	16,856	1	1	—	(1)
119,973	119,973	108,265	(11,708)	8,523	8,523	9,435	912
—	—	22,825	22,825	—	—	31,700	31,700
12,531	12,531	12,142	(389)	17	17	—	(17)
1,519	1,519	1,322	(197)	—	—	—	—
33,348	33,348	38,705	5,357	—	—	—	—
17,082	17,082	10,282	(6,800)	171	171	170	(1)
6,059	6,059	10,249	4,190	5,729,261	5,729,261	4,169,856	(1,559,405)
58,898	58,898	61,394	2,496	95,242	95,242	97,446	2,204
6,705	6,705	6,112	(593)	1,357	1,357	2,071	714
1,149,087	1,149,087	1,253,977	104,890	5,834,572	5,834,572	4,310,678	(1,523,894)
379,904	379,904	240,152	139,752	2,211,401	2,211,401	246,764	1,964,637
132,173	132,173	104,805	27,368	53,176	53,176	22,106	31,070
398,384	398,384	261,513	136,871	967,521	967,521	172,532	794,989
276,936	276,936	243,637	33,299	3,325,280	3,325,280	2,682,775	642,505
114,028	114,028	96,642	17,386	714,713	714,713	402,060	312,653
362,107	362,107	189,808	172,299	724,877	724,877	172,875	552,002
—	—	9,219	(9,219)	—	—	6,171	(6,171)
—	—	1,248	(1,248)	—	—	484	(484)
—	—	109,841	(109,841)	—	—	464,523	(464,523)
1,663,532	1,663,532	1,256,865	406,667	7,996,968	7,996,968	4,170,290	3,826,678
(514,445)	(514,445)	(2,888)	511,557	(2,162,396)	(2,162,396)	140,388	2,302,784
51	51	45	(6)	—	—	13	13
552	552	362	(190)	—	—	—	—
1,100	1,100	—	(1,100)	—	—	—	—
—	—	218	218	—	—	—	—
307,368	307,368	181,931	(125,437)	421,821	421,821	3,278	(418,543)
(129,121)	(129,121)	(64,248)	64,873	(1,324,295)	(1,324,295)	(48,094)	1,276,201
179,950	179,950	118,308	(61,642)	(902,474)	(902,474)	(44,803)	857,671
(334,495)	(334,495)	115,420	449,915	(3,064,870)	(3,064,870)	95,585	3,160,455
—	—	201	201	—	—	—	—
—	—	(141)	(141)	—	—	—	—
—	—	13,706	13,706	—	—	5,468	5,468
—	—	(13,967)	(13,967)	—	—	—	—
(334,495)	(334,495)	115,219	449,714	(3,064,870)	(3,064,870)	101,053	3,165,923
—	—	2,071,929	2,071,929	—	—	(25,275)	(25,275)
—	—	(50,913)	(50,913)	—	—	(18,809)	(18,809)
—	—	(507)	(507)	—	—	—	—
\$ (334,495)	\$ (334,495)	\$ 2,135,728	\$ 2,470,223	\$ (3,064,870)	\$ (3,064,870)	\$ 56,969	\$ 3,121,839

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI – 1. BUDGETARY REPORTING

#### A. State Budget Process

The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. The Constitution requires that legislative appropriations not exceed available revenues. The Legislature uses revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budget appropriations at the fund level. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the general, special revenue and capital projects funds, except for those special revenue funds from non-state and non-federal sources restricted by law or by the terms of an agreement. The level of budgetary control is established by fund type, except capital project funds, which are at project level. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor, and the Legislative Fiscal Division receives a copy. The Office of Budget and Program Planning (OBPP) and the Governor analyze the requests, establish priorities, and develop the requests into the executive budget request submitted to the Legislature. Joint appropriations subcommittee hearings are held, and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The Legislature generally enacts one bill to establish the majority of appropriations for the next two fiscal years. OBPP establishes appropriations for each program by accounting entity (fund) within an agency. The Legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution, or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. In the second year of the biennium, during the legislative session, the Legislature may authorize supplemental appropriations. The Governor, or designee, may approve budget amendments for non-General Fund monies not available for consideration by the Legislature and for emergencies. In the accompanying financial schedule, original and final budget amounts are reported. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations for debt service activities are continuing through statutory authority until the obligation is extinguished. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided. Appropriations for capital projects funds are not made on an annual basis, but are adopted on a project-length basis. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

Appropriations may be continued into the next fiscal year when authorized by the Legislature or the Governor's Office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued or encumbered. Fund balances are not reserved for reverted appropriations. For fiscal year 2023, reverted governmental fund appropriations were as follows: \$44.0 million in the General Fund, \$174.4 million in the State Special Revenue Fund, and \$567.7 million in the Federal Special Revenue Fund. Agencies are allowed to carry forward 30.0% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of OBPP.

**B. Budget Basis**

The Legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with Generally Accepted Accounting Principles (GAAP). The budget basis differs from GAAP for encumbrances outstanding at fiscal year-end, compensated absences, capital assets and inventories purchased in proprietary funds, certain loans from governmental funds, and other miscellaneous non-budgeted activity.

## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI – 2. PENSION PLAN INFORMATION

#### Required Supplementary Information State of Montana as an Employer Entity

#### Judges' Retirement System Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios <sup>1</sup> For the Fiscal Year Ended June 30 (dollars in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability (TPL)</b>									
Service costs	\$ 2,022	\$ 1,897	\$ 1,748	\$ 1,772	\$ 1,664	\$ 1,628	\$ 1,578	\$ 1,653	\$ 1,594
Interest	5,099	4,949	4,842	4,458	4,503	4,044	3,986	3,934	3,824
Differences between expected and actual experience	(2,782)	376	(262)	2,743	(2,901)	862	(1,341)	(1,032)	—
Changes of assumptions	(1,467)	1,870	1,912	—	—	3,865	—	—	—
Refunds of contributions	—	—	—	—	(149)	—	—	—	—
Benefit payments	(4,357)	(4,205)	(4,038)	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Net change in total pension liability	(1,485)	4,887	4,202	5,127	(606)	6,845	807	1,514	2,395
Total pension liability – beginning	74,408	69,521	65,319	60,192	60,798	53,953	53,146	51,632	49,237
Total pension liability – ending	\$ 72,923	\$ 74,408	\$ 69,521	\$ 65,319	\$ 60,192	\$ 60,798	\$ 53,953	\$ 53,146	\$ 51,632
<b>Plan Fiduciary Net Position</b>									
Contributions – employer	\$ 79	\$ 2,139	\$ 1,988	\$ —	\$ 1,085	\$ 1,800	\$ 1,806	\$ 1,684	\$ 1,651
Contributions – member	629	589	560	517	575	488	729	534	481
Net investment income	(5,547)	29,150	2,827	5,687	8,467	10,368	1,779	3,843	12,421
Refunds of contributions	—	—	—	—	(149)	—	—	—	—
Benefit payments	(4,357)	(4,205)	(4,038)	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Administrative expense	(56)	(126)	(157)	(123)	(264)	(254)	(197)	(136)	(100)
Other	—	(3)	—	—	7	—	(3)	—	—
Net change in plan fiduciary net position	(9,252)	27,544	1,180	2,235	5,998	8,848	698	2,884	11,430
Plan fiduciary net position - beginning	133,610	106,066	104,886	102,651	96,653	87,805	87,107	84,223	72,793
Plan fiduciary net position - ending	\$ 124,358	\$ 133,610	\$ 106,066	\$ 104,886	\$ 102,651	\$ 96,653	\$ 87,805	\$ 87,107	\$ 84,223
<b>Net Pension (Asset) – Beginning</b>	\$ (59,202)	\$ (36,545)	\$ (39,567)	\$ (42,459)	\$ (35,855)	\$ (33,852)	\$ (33,961)	\$ (32,591)	\$ (23,556)
<b>Net Pension (Asset) – Ending</b>	\$ (51,435)	\$ (59,202)	\$ (36,545)	\$ (39,567)	\$ (42,459)	\$ (35,855)	\$ (33,852)	\$ (33,961)	\$ (32,591)
Plan fiduciary net position as a percentage of TPL	170.53%	179.56%	152.57%	160.58%	170.54%	158.97%	162.74%	163.90%	163.12%
Covered payroll	\$ 8,408	\$ 8,282	\$ 8,001	\$ 7,382	\$ 7,291	\$ 6,974	\$ 6,920	\$ 6,525	\$ 6,355
Net pension (asset) as a percentage of covered payroll	(611.74)%	(714.83)%	(456.76)%	(535.99)%	(582.35)%	(514.12)%	(489.19)%	(520.48)%	(512.84)%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Schedule of Employer Contributions <sup>1</sup>**  
**For the Fiscal Year Ended June 30**  
*(in thousands)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ —	\$ 79	\$ 2,138	\$ 1,988	\$ —	\$ 1,085	\$ 1,800	\$ 1,786	\$ 1,684
Contributions made in relation to the contractually required contributions	—	79	2,138	1,988	—	1,085	1,800	1,786	1,684
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 8,561	\$ 8,408	\$ 8,282	\$ 8,001	\$ 7,382	\$ 7,291	\$ 6,974	\$ 6,920	\$ 6,525
Contributions as a percentage of covered payroll	0.00%	0.94%	25.82%	24.85%	0.00%	14.88%	25.81%	26.00%	26.00%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Judges' Retirement System**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2023**

**Method and assumptions used in calculations of contractually determined contributions:** The following actuarial determined contribution rates are determined on an annual basis. The following actuarial methods and assumptions were used to determine contribution rates reported for the fiscal year ending June 30, 2022, which were based on the results of the June 30, 2021, actuarial valuation:

Valuation date	June 30, 2021
Timing	Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	0 years
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Salary increases	3.50%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, set back one year for males
Mortality (disabled)	RP-2000 Combined Employee and Annuitant Mortality Table

**Changes of assumptions:** The discount rate was increased from 7.06% to 7.30%. The investment rate of return was increased from 7.06% to 7.30%. All mortality tables were updated to PUB-2010 for general employees. Rates of retirement and disability were updated. The payroll growth assumption was lowered from 3.50% to 3.25%. The inflation rate was increased from 2.40% to 2.75%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Highway Patrol Officers' Retirement System  
Schedule of Changes in Net Pension Liability and Related Ratios <sup>1</sup>  
For the Fiscal Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability (TPL)</b>									
Service costs	\$ 4,089	\$ 7,578	\$ 3,337	\$ 3,453	\$ 3,643	\$ 3,665	\$ 3,799	\$ 3,598	\$ 3,464
Interest	18,597	16,742	17,688	16,926	16,294	15,121	14,545	14,113	13,518
Changes in benefits	—	—	—	—	—	—	—	1,856	—
Difference between expected and actual experience	(2,487)	1,913	(993)	2,413	590	2,774	18	267	—
Changes of assumptions	(2,749)	(125,247)	141,055	—	—	7,892	—	—	—
Benefit payments	(13,743)	(13,710)	(12,685)	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Refunds of contributions	(1,515)	(2,026)	(331)	(582)	(322)	(245)	(94)	—	—
Net change in total pension liability	2,192	(114,750)	148,071	10,147	8,659	18,170	7,786	9,833	7,539
Total pension liability – beginning	271,049	385,799	237,728	227,581	218,922	200,752	192,966	183,133	175,594
Total pension liability – ending	\$ 273,241	\$ 271,049	\$ 385,799	\$ 237,728	\$ 227,581	\$ 218,922	\$ 200,752	\$ 192,966	\$ 183,133
<b>Plan Fiduciary Net Position</b>									
Contributions – employer	\$ 6,639	\$ 6,423	\$ 6,003	\$ 5,845	\$ 5,858	\$ 5,782	\$ 5,916	\$ 5,840	\$ 5,736
Contributions – non-employer	4,213	224	226	233	250	263	243	—	—
Contributions – member	2,285	2,206	2,170	2,002	2,387	1,950	1,917	1,624	1,458
Net investment income	(7,841)	41,277	4,101	8,269	12,283	15,099	2,605	5,738	18,677
Benefit payments	(13,743)	(13,710)	(12,685)	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Administrative expense	(77)	(342)	(163)	(127)	(256)	(248)	(197)	(144)	(109)
Refunds of contributions	(1,515)	(2,026)	(331)	(582)	(322)	(245)	(94)	—	—
Other	—	(40)	(131)	2	8	—	(2)	—	—
Net change in plan fiduciary net position	(10,039)	34,012	(810)	3,579	8,662	11,564	(94)	3,057	16,319
Plan fiduciary net position – beginning	185,980	151,968	152,778	149,199	140,537	128,973	129,067	126,010	109,691
Plan fiduciary net position – ending	\$ 175,941	\$ 185,980	\$ 151,968	\$ 152,778	\$ 149,199	\$ 140,537	\$ 128,973	\$ 129,067	\$ 126,010
<b>Net Pension Liability – Beginning</b>	\$ 85,069	\$ 233,831	\$ 84,950	\$ 78,382	\$ 78,385	\$ 71,779	\$ 63,899	\$ 57,123	\$ 65,903
<b>Net Pension Liability – Ending</b>	\$ 97,300	\$ 85,069	\$ 233,831	\$ 84,950	\$ 78,382	\$ 78,385	\$ 71,779	\$ 63,899	\$ 57,123
Plan fiduciary net position as a percentage of TPL	64.39%	68.61%	39.39%	64.27%	65.56%	64.20%	64.24%	66.89%	68.81%
Covered payroll	\$ 17,275	\$ 16,631	\$ 15,608	\$ 15,178	\$ 15,251	\$ 14,779	\$ 15,276	\$ 14,549	\$ 14,149
Net pension liability as a percentage of covered payroll	563.24%	511.51%	1498.15%	559.69%	513.95%	530.38%	469.88%	439.20%	403.72%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.



**Schedule of Employer Contributions <sup>1</sup>**  
**For the Fiscal Year Ended June 30**  
*(dollars in thousands)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 7,107	\$ 6,835	\$ 6,599	\$ 6,209	\$ 6,051	\$ 5,843	\$ 5,706	\$ 6,161	\$ 5,782
Contributions in relation to the contractually required contributions	7,107	6,835	6,599	6,209	6,051	5,843	5,706	6,161	5,782
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 18,005	\$ 17,275	\$ 16,631	\$ 15,608	\$ 15,178	\$ 15,251	\$ 14,779	\$ 15,276	\$ 14,549
Contributions as a percentage of covered payroll	39.47%	39.57%	39.68%	39.78%	39.87%	38.31%	38.61%	40.33%	39.74%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information**  
**Highway Patrol Officers' Retirement System**  
**For the Year Ended June 30, 2023**

**Method and assumptions used in calculations of contractually determined contributions:** The actuarially determined contribution rates are determined on an annual basis. The following actuarial methods and assumptions were used to determine contribution rates, reported for the fiscal year ending June 30, 2022, which were based on the results of the June 30, 2021, actuarial valuation:

Valuation date	June 30, 2021
Timing	Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	26 years
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Salary increases	3.50% to 10.02%, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Inflation	2.75%
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table

**Changes of assumptions:** The discount rate was increased from 7.06% to 7.30%. The investment rate of return was increased from 7.06% to 7.30%. The payroll growth assumption was decreased from 3.50% to 3.25%. All mortality tables were updated to the PUB-2010 tables for public safety employees. The rates of retirement, disability, and salary merit scales were updated. The inflation rate was increased from 2.40% to 2.75%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Game Wardens' and Peace Officers' Retirement System  
Schedule of Changes in Net Pension Liability and Related Ratios <sup>1</sup>  
For the Fiscal Year Ended June 30**

*(dollars in thousands)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability (TPL)</b>									
Service costs	\$ 10,139	\$ 12,315	\$ 8,029	\$ 8,004	\$ 8,098	\$ 8,623	\$ 8,403	\$ 8,008	\$ 7,850
Interest	21,167	19,379	18,535	17,618	16,018	14,269	12,911	12,398	11,258
Difference between expected and actual experience	(1,279)	4,927	(2,027)	(4,728)	4,781	3,743	2,705	731	—
Changes of assumptions	89,103	(68,688)	85,967	—	—	5,878	—	—	—
Benefit payments	(10,618)	(9,283)	(8,247)	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Refunds of contributions	(1,464)	(870)	(1,200)	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Net change in total pension liability	107,048	(42,220)	101,057	12,543	21,269	25,667	17,885	15,785	13,879
Total pension liability – beginning	305,850	348,070	247,013	234,470	213,201	187,534	169,649	153,864	139,985
Total pension liability – ending	\$ 412,898	\$ 305,850	\$ 348,070	\$ 247,013	\$ 234,470	\$ 213,201	\$ 187,534	\$ 169,649	\$ 153,864
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 4,941	\$ 5,411	\$ 4,868	\$ 4,686	\$ 4,613	\$ 4,464	\$ 4,278	\$ 4,088	\$ 3,762
Contributions - member	6,075	6,393	5,803	5,566	5,512	5,278	5,036	4,924	4,462
Net investment income	(11,720)	59,128	5,583	11,125	15,573	18,590	3,167	6,435	20,069
Benefit payments	(10,618)	(9,283)	(8,247)	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Administrative expense	(169)	(234)	(241)	(202)	(369)	(329)	(269)	(200)	(162)
Refunds of contributions	(1,464)	(870)	(1,200)	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Other	—	(63)	(4)	1	(19)	(1)	(31)	—	—
Net change in plan fiduciary net position	(12,955)	60,482	6,562	12,825	17,682	21,156	6,047	9,895	22,902
Plan fiduciary net position – beginning	273,392	212,910	206,348	193,523	175,841	154,685	148,638	138,743	115,841
Plan fiduciary net position – ending	\$ 260,437	\$ 273,392	\$ 212,910	\$ 206,348	\$ 193,523	\$ 175,841	\$ 154,685	\$ 148,638	\$ 138,743
<b>Net Pension Liability – Beginning</b>	\$ 32,458	\$ 135,160	\$ 40,665	\$ 40,947	\$ 37,360	\$ 32,849	\$ 21,011	\$ 15,121	\$ 24,144
<b>Net Pension Liability – Ending</b>	\$ 152,461	\$ 32,458	\$ 135,160	\$ 40,665	\$ 40,947	\$ 37,360	\$ 32,849	\$ 21,011	\$ 15,121
Plan fiduciary net position as a percentage of TPL	63.08%	63.08%	61.17%	83.54%	82.54%	82.48%	82.48%	87.00%	90.00%
Covered payroll	\$ 54,287	\$ 60,023	\$ 53,825	\$ 51,677	\$ 50,823	\$ 49,381	\$ 47,108	\$ 44,885	\$ 41,637
Net pension liability as a percentage of covered payroll	280.84%	54.08%	251.11%	78.69%	80.57%	75.66%	69.73%	47.00%	36.00%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Schedule of Employer Contributions <sup>1</sup>**  
**For the Fiscal Year Ended June 30**  
*(dollars in thousands)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 5,256	\$ 4,878	\$ 5,394	\$ 4,837	\$ 4,644	\$ 4,574	\$ 4,447	\$ 4,240	\$ 4,040
Contributions in relation to the contractually required contributions	5,256	4,878	5,394	4,837	4,644	4,574	4,447	4,240	4,040
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 58,393	\$ 54,287	\$ 60,023	\$ 53,825	\$ 51,677	\$ 50,823	\$ 49,381	\$ 47,108	\$ 44,885
Contributions as a percentage of covered payroll	9.00%	8.99%	8.99%	8.99%	8.99%	9.00%	9.01%	9.00%	9.00%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information**  
**Game Wardens' and Peace Officers' Retirement System**  
**For the Year Ended June 30, 2023**

**Method and assumptions used in calculations of contractually determined contributions:** The actuarially determined contribution rates are determined on an annual basis. The following actuarial methods and assumptions were used to determine contribution rates, reported for the fiscal year ending June 30, 2022, which were based on the results of the June 30, 2021, actuarial valuation:

Valuation date	June 30, 2021
Timing	Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table

**Changes of assumptions:** The discount rate was decreased from 7.06% to 5.55%. The investment rate of return was increased from 7.06% to 7.30%. The payroll growth rate was decreased from 3.50% to 3.25%. All mortality tables were updated to the PUB-2010 tables for public safety employees. The rates of withdrawal, retirement, disability, and merit increase scales were updated. The inflation rate was increased from 2.40% to 2.75%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Public Employees' Retirement System-Defined Benefit Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	48.33%	50.56%	49.00%	39.14%	39.55%	53.05%	53.24%	53.61%	53.22%
Employer's proportionate share of the net pension liability	\$ 1,149,270	\$ 916,807	\$ 1,292,651	\$ 818,162	\$ 825,387	\$ 1,033,200	\$ 906,880	\$ 749,414	\$ 663,174
Employer's covered payroll	\$ 680,543	\$ 715,975	\$ 654,193	\$ 638,674	\$ 640,177	\$ 648,671	\$ 621,755	\$ 620,286	\$ 597,083
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	168.88%	128.05%	197.59%	128.10%	128.93%	159.28%	145.86%	120.82%	111.07%
Plan fiduciary net position as a percentage of the total pension liability	73.66%	79.91%	68.90%	73.85%	73.47%	74.00%	75.00%	78.00%	80.00%

**Schedule of Employer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 80,916	\$ 77,020	\$ 78,878	\$ 58,504	\$ 56,183	\$ 54,844	\$ 56,256	\$ 59,073	\$ 58,575
Contributions in relation to the contractually required contributions	\$ 80,916	77,020	78,878	58,504	56,183	54,844	56,256	59,073	58,575
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 732,649	\$ 680,543	\$ 715,975	\$ 654,193	\$ 638,674	\$ 640,177	\$ 648,671	\$ 621,755	\$ 620,286
Contributions as a percentage of covered payroll	11.04%	11.32%	11.02%	8.94%	8.80%	8.57%	8.67%	9.50%	9.44%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2023**

**Method and assumptions used in calculations of contractually determined contributions:** The actuarially determined contribution rates are determined on an annual basis. The following actuarial methods and assumptions were used to determine contribution rates, reported for the fiscal year ending June 30, 2022, which were based on the results of the June 30, 2021, actuarial valuation:

Valuation date	June 30, 2021
Timing	Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Salary increases	3.50% to 8.47%, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Inflation	2.75%
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table with no projections

**Changes of assumptions:** The discount rate was increased from 7.06% to 7.30%. The investment rate of return was increased from 7.06% to 7.30%. The payroll growth assumption was reduced from 3.50% to 3.25%. All mortality tables were updated to the PUB-2010 tables for general employees. The rates of retirement, disability, and withdrawal were updated. The inflation rate was increased from 2.40% to 2.75%.

**Required Supplementary Information  
State of Montana as a Nonemployer Entity**

**Public Employees' Retirement System-Defined Benefit Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>**

**For the Year Ended June 30**

*(dollars in thousands)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	13.84%	13.17%	14.22%	24.41%	24.92%	1.01%	0.96%	0.96%	0.96%
Nonemployer's proportionate share of the net pension liability	\$ 329,115	\$ 238,887	\$ 375,032	\$ 510,277	\$ 520,058	\$ 19,622	\$ 16,287	\$ 13,365	\$ 11,978
Plan fiduciary net position as a percentage of the total pension liability	73.66%	79.91%	68.90%	73.85%	73.47%	74.00%	75.00%	78.00%	80.00%

**Schedule of Nonemployer Contributions <sup>1</sup>**

**For the Fiscal Year Ended June 30**

*(dollars in thousands)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 22,482	\$ 20,904	\$ 21,180	\$ 35,008	\$ 34,642	\$ 34,706	\$ 28,763	\$ 30,800	\$ 32,397
Contributions in relation to the contractually required contributions	22,482	20,904	21,180	35,008	34,642	34,706	28,763	30,800	32,397
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2023**

**Method and assumptions used in calculations of contractually determined contributions:** The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2021, are as follows:

**Special Funding**

The State contributes 0.1% of member compensation on behalf of local government entities per Section 19-3-319, MCA.

The State contributes 0.37% of member compensation on behalf of school district entities per Section 19-3-319, MCA.

The State contributes a statutory appropriation from General Fund per Section 19-3-320, MCA.

**Changes of assumptions:** The discount rate was increased from 7.06% to 7.30%. The investment rate of return was increased from 7.06% to 7.30%. The payroll growth assumption was reduced from 3.50% to 3.25%. All mortality tables were updated to the PUB-2010 tables for general employees. The rates of retirement, disability, and withdrawal were updated. The inflation rate was increased from 2.40% to 2.75%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Sheriffs' Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	4.87%	5.09%	4.76%	4.88%	4.87%	4.86%	5.45%	5.64%	5.54%
Employer's proportionate share of the net pension liability	\$ 6,670	\$ 3,709	\$ 5,800	\$ 4,067	\$ 3,663	\$ 3,696	\$ 9,582	\$ 5,434	\$ 2,304
Employer's covered payroll	\$ 4,695	\$ 4,628	\$ 4,041	\$ 3,915	\$ 3,781	\$ 3,634	\$ 3,850	\$ 3,836	\$ 3,580
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	70.39%	80.14%	143.53%	103.88%	96.88%	101.71%	248.88%	141.66%	64.36%
Plan fiduciary net position as a percentage of the total pension liability	77.07%	86.94%	75.92%	81.89%	82.68%	81.00%	63.00%	75.00%	87.00%

**Schedule of Employer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 682	\$ 616	\$ 607	\$ 530	\$ 513	\$ 496	\$ 368	\$ 389	\$ 388
Contributions in relation to the contractually required contributions	682	616	607	530	513	496	368	389	388
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 5,198	\$ 4,695	\$ 4,628	\$ 4,041	\$ 3,915	\$ 3,781	\$ 3,634	\$ 3,850	\$ 3,836
Contributions as a percentage of covered payroll	13.12%	13.12%	13.12%	13.12%	13.10%	13.12%	10.13%	10.10%	10.11%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year ended June 30, 2023**

**Method and assumptions used in calculations of contractually determined contributions:** The actuarially determined contribution rates are determined on an annual basis. The following actuarial methods and assumptions were used to determine contribution rates, reported for the fiscal year ending June 30, 2022, which were based on the results of the June 30, 2021, actuarial valuation:

Valuation date	June 30, 2021
Timing	Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	18 years
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Salary increases	3.50% to 10.02%, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Inflation	2.75%
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table

**Changes of assumptions:** The discount rate was increased from 7.06% to 7.30%. The investment rate of return was increased from 7.06% to 7.30%. The payroll growth assumption was decreased from 3.50% to 3.25%. All mortality assumptions were updated to the PUB-2010 tables for public safety employees. The rates of retirement, disability retirement, merit increases, and withdrawal were updated. The inflation rate was increased from 2.40% to 2.75%.



**Required Supplementary Information**  
**State of Montana as a Nonemployer Contributing Entity**

**Municipal Peace Officers' Retirement System**  
**Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>**  
**For the Year Ended June 30**  
*(dollars in thousands)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.02%	67.02%	66.85%	67.06%	67.12%	67.09%	66.50%	66.95%	66.89%
Nonemployer's proportionate share of the net pension liability	\$ 158,319	\$ 121,842	\$ 163,514	\$ 133,487	\$ 114,956	\$ 119,354	\$ 119,708	\$ 110,756	\$ 105,106
Plan fiduciary net position as a percentage of the total pension liability	69.67%	75.76%	64.84%	68.84%	70.95%	68.00%	66.00%	67.00%	67.00%

**Schedule of Nonemployer Contributions <sup>1</sup>**  
**For the Fiscal Year Ended June 30**  
*(dollars in thousands)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 19,621	\$ 18,012	\$ 17,395	\$ 16,677	\$ 15,941	\$ 15,283	\$ 13,215	\$ 13,752	\$ 13,433
Contributions in relation to the contractually required contributions	19,621	18,012	17,395	16,677	15,941	15,283	13,215	13,752	13,433
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2023**

**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2022, are as follows:

The State contributes 29.37% of member compensation on behalf of all employer entities per Section 19-9-702, MCA.

**Changes of assumptions:**

The discount rate was increased from 7.06% to 7.30%. The investment rate of return was increased from 7.06% to 7.30%. All mortality assumptions were updated to the PUB-2010 tables for public safety employees. Rates of withdrawal, retirement, disability retirement, and merit increases were updated. Payroll growth assumption was decreased from 3.50% to 3.25%. The inflation rate was increased from 2.40% to 2.75%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Firefighters' Unified Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.57%	2.51%	2.38%	2.01%	2.30%	2.23%	2.26%	2.40%	1.85%
Employer's proportionate share of the net pension liability	\$ 4,084	\$ 2,151	\$ 3,722	\$ 2,309	\$ 2,650	\$ 2,525	\$ 2,583	\$ 2,454	\$ 1,806
Employer's covered payroll	\$ 1,527	\$ 1,415	\$ 1,276	\$ 1,051	\$ 1,103	\$ 1,022	\$ 974	\$ 986	\$ 735
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	267.45%	152.01%	291.69%	219.70%	240.25%	247.06%	265.20%	249.00%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	78.76%	87.72%	75.34%	80.08%	79.03%	78.00%	75.00%	77.00%	77.00%

**Schedule of Employer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 811	\$ 717	\$ 665	\$ 599	\$ 494	\$ 518	\$ 472	\$ 475	\$ 142
Contributions in relation to the contractually required contributions	811	717	665	599	494	518	472	475	142
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 1,727	\$ 1,527	\$ 1,415	\$ 1,276	\$ 1,051	\$ 1,103	\$ 1,022	\$ 974	\$ 986
Contributions as a percentage of covered payroll	46.96%	46.95%	47.00%	46.94%	47.00%	46.96%	46.18%	48.77%	14.40%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2023**

**Method and assumptions used in calculations of contractually determined contributions:** The actuarially determined contribution rates are determined on an annual basis. The following actuarial methods and assumptions were used to determine contribution rates, reported for the fiscal year ending June 30, 2022, which were based on the results of the June 30, 2021, actuarial valuation:

Valuation date	June 30, 2021
Timing	Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	6 years
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Salary increases	3.50% to 10.02%, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Inflation	2.75%
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table

**Changes of assumptions:** The discount rate was increased from 7.06% to 7.30%. The investment rate of return was increased from 7.06% to 7.30%. The payroll growth assumption was decreased from 3.50% to 3.25%. All mortality assumptions were updated to the PUB-2010 tables for public safety employees. The rates of retirement, disability retirement, merit increases, and withdrawal were updated. The inflation rate was increased from 2.40% to 2.75%.

**Required Supplementary Information  
State of Montana as a Nonemployer Contributing Entity**

**Firefighters' Unified Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.57%	67.67%	67.66%	69.32%	67.97%	67.88%	67.81%	67.36%	68.01%
Nonemployer's proportionate share of the net pension liability	\$ 107,328	\$ 57,910	\$ 105,867	\$ 79,524	\$ 78,285	\$ 76,724	\$ 77,448	\$ 68,892	\$ 66,384
Plan fiduciary net position as a percentage of the total pension liability	78.76%	87.72%	75.34%	80.08%	79.03%	78.00%	75.00%	77.00%	77.00%

**Schedule of Nonemployer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 20,821	\$ 18,871	\$ 17,897	\$ 17,147	\$ 16,209	\$ 15,272	\$ 14,042	\$ 13,635	\$ 13,573
Contributions in relation to the contractually required contributions	20,821	18,871	17,897	17,147	16,209	15,272	14,042	13,635	13,573
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2023**

**Method and assumptions used in calculations of statutorily determined contributions:** The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2022, are as follows:

The State contributes 32.61% of member compensation on behalf of all employer entities per Section 19-13-604, MCA.

**Changes of assumptions:** The discount rate was increased from 7.06% to 7.30%. The investment rate of return was increased from 7.06% to 7.30%. The payroll growth assumption was decreased from 3.50% to 3.25%. All mortality assumptions were updated to the PUB-2010 tables for public safety employees. The rates of retirement, disability retirement, merit increases, and withdrawal were updated. The inflation rate was increased from 2.40% to 2.75%.

**Required Supplementary Information  
State of Montana as a Nonemployer Contributing Entity**

**Volunteer Firefighters' Compensation Act  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	100.00 %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Nonemployer's proportionate share of the net pension liability	\$ 5,223	\$ 1,323	\$ 9,106	\$ 6,907	\$ 7,667	\$ 10,087	\$ 10,599	\$ 10,504	\$ 5,089
Plan fiduciary net position as a percentage of the total pension liability	90.02 %	97.40%	81.42%	85.23%	83.48%	78.00%	76.00%	76.00%	87.00%

**Schedule of Nonemployer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 3,145	\$ 2,840	\$ 2,578	\$ 2,475	\$ 2,361	\$ 2,207	\$ 2,054	\$ 2,024	\$ 1,913
Contributions in relation to the contractually required contributions	3,145	2,840	2,578	2,475	2,361	2,207	2,054	2,024	1,913
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2023**

**Method and assumptions used in calculations of actuarially determined contributions:** The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2022, are as follows:

The State contributes 5% of certain fire tax insurance premiums paid per Section 19-17-301, MCA.

**Changes of assumptions:** The discount rate was increased from 7.06% to 7.30%. The investment rate of return was increased from 7.06% to 7.30%. All mortality assumptions were updated to the PUB-2010 tables for public safety employees. The rates of retirement were updated. The inflation rate was increased from 2.40% to 2.75%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Teachers' Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	1.94%	2.17%	2.30%	2.41%	2.55%	2.86%	3.12%	3.42%	4.69%
Employer's proportionate share of the net pension liability	\$ 38,166	\$ 35,874	\$ 51,812	\$ 46,493	\$ 47,407	\$ 48,227	\$ 57,016	\$ 56,230	\$ 72,168
Employer's covered payroll	\$ 20,293	\$ 21,776	\$ 22,384	\$ 23,250	\$ 24,275	\$ 26,944	\$ 28,915	\$ 31,252	\$ 32,937
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	188.07%	164.74%	231.47%	199.97%	195.29%	178.99%	197.18%	179.00%	219.00%
Plan fiduciary net position as a percentage of the total pension liability	70.61%	75.54%	64.95%	68.64%	69.09%	70.00%	67.00%	69.00%	70.00%

**Schedule of Employer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30  
(dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 17,168	\$ 16,216	\$ 16,103	\$ 16,686	\$ 16,538	\$ 17,298	\$ 17,396	\$ 16,946	\$ 16,234
Contributions in relation to the contractually required contributions	17,168	16,216	16,103	16,686	16,538	17,298	17,396	16,946	16,234
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 22,709	\$ 20,293	\$ 21,776	\$ 22,384	\$ 23,250	\$ 24,275	\$ 26,944	\$ 28,915	\$ 31,252
Contributions as a percentage of covered payroll	75.60%	79.91%	73.95%	74.54%	71.13%	71.26%	64.56%	58.61%	51.95%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2023**

**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates are determined on an annual basis. The following actuarial methods and assumptions were used to determine contribution rates reported for the fiscal year ending June 30, 2022, based on the results of the July 1, 2021, actuarial valuation.

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	24 years
Asset valuation method	4-year smoothed market
Salary increases	3.25% to 7.76% for non-university members and 4.25% for university members, including inflation
Inflation	2.50%
Investment rate of return	7.50%, net of pension plan investment expense, and including inflation
Mortality (healthy)	RP-2000 Healthy Combined mortality table projected to 2022 adjusted for partial credibility setback for 2 years
Mortality (disabled)	RP-2000 Disabled mortality table for males set back 3 years, for females set forward 2 years

**Changes of assumptions:** The discount rate was increased from 7.06% to 7.30%. The investment rate of return was increased from 7.06% to 7.30%. All mortality assumptions were updated to the PUB-2010 tables for teachers. Rates of salary scale merit rates, retirement, and termination were updated. The inflation rate was increased from 2.40% to 2.75%.

**Required Supplementary Information**  
**State of Montana as a Nonemployer Contributing Entity**

**Teachers' Retirement System**  
**Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>**  
**For the Year Ended June 30**  
*(dollars in thousands)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	35.07%	35.76%	36.55%	37.11%	37.74%	38.13%	38.73%	39.38%	38.78%
Nonemployer's proportionate share of the net pension liability	\$ 689,790	\$ 592,396	\$ 822,282	\$ 715,637	\$ 700,417	\$ 642,958	\$ 707,527	\$ 647,092	\$ 596,724
Plan fiduciary net position as a percentage of the total pension liability	70.61%	75.54%	64.95%	68.64%	69.09%	70.00%	67.00%	69.00%	70.00%

**Schedule of Nonemployer Contributions <sup>1</sup>**  
**For the Fiscal Year Ended June 30**  
*(dollars in thousands)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 48,159	\$ 47,680	\$ 46,701	\$ 44,841	\$ 44,333	\$ 43,718	\$ 43,028	\$ 42,400	\$ 42,806
Contributions in relation to the contractually required contributions	48,159	47,680	46,701	44,841	44,333	43,718	43,028	42,400	42,806
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2023**

**Method and assumptions used in calculations of contractually determined contributions:** The contractually required contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2022, are as follows:

The State contributes 0.11% of the compensation of members participating per Section 19-20-604, MCA.

The State contributes 2.38% of member compensation on behalf of school district and community college entities per Section 19-20-607, MCA.

The State contributes a \$25.0 million payment from the General Fund per Section 19-20-607, MCA.

**Changes of assumptions:** The discount rate was increased from 7.06% to 7.30%. The investment rate of return was increased from 7.06% to 7.30%. All mortality assumptions were updated to the PUB-2010 tables for teachers. Rates of salary scale merit rates, retirement, and termination were updated. The inflation rate was increased from 2.40% to 2.75%.



## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI – 3. OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION (OPEB)

The State of Montana and MUS OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of the Total OPEB Liability in the related financial statements and note disclosures.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for the State of Montana OPEB plan.

**Total OPEB Liability and Related Ratios**  
**Last 10 Fiscal Years <sup>(1)</sup>**  
**(in thousands)**

Total OPEB Liability	2023	2022	2021	2020	2019	2018
Service cost	\$ 5,747	\$ 8,726	\$ 1,734	\$ 1,946	\$ 2,062	\$ 1,889
Interest	4,245	3,513	1,333	1,586	1,990	2,014
Difference between expected and actual experience	(56,723)	—	(6,137)	(9,409)	—	(4,723)
Changes of assumptions or other inputs	(43,608)	(38,710)	104,439	(1,877)	2,895	(295)
Benefit payments	(2,300)	2,592	(1,196)	(601)	(1,709)	1,705
Net change in Total OPEB Liability	(92,639)	(23,879)	100,173	(8,355)	5,238	590
Total OPEB Liability - Beginning	123,636	147,515	47,342	55,697	50,459	49,869
Total OPEB Liability - Ending	\$ 30,997	\$ 123,636	\$ 147,515	\$ 47,342	\$ 55,697	\$ 50,459
State and discretely presented component units' proportion of the collective Total OPEB Liability	100 %	100 %	100 %	100 %	100 %	100 %
Covered employee payroll	\$ 770,298	\$ 707,118	\$ 689,871	\$ 690,563	\$ 702,688	\$ 675,661
Total OPEB Liability as a percentage of covered employee payroll	4.02 %	17.48 %	21.38 %	6.86 %	7.93 %	7.47%

<sup>(1)</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Note to Schedule:** No assets are accumulated in a trust that meets the criteria of GASB 75.

**Factors that significantly affect trends in the amounts reported:***Changes in Actuarial Assumptions and Methods*

*June 30, 2023:* Changes in assumptions for 2023 were due to an increase in the discount rate from 3.31% to 3.98% and the projected payroll increased from 2.5% to 3.5%.

*June 30, 2022:* Changes in assumptions for 2022 were due to an increase in the discount rate from 2.23% to 3.31%.

*June 30, 2021:* Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%.

*June 30, 2020:* Changes in actuarial assumptions include a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020, municipal bond rate sources.

*June 30, 2019:* Changes in actuarial assumptions include interest rate based upon March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

*June 30, 2018:* Changes in actuarial methods include adjustments to the amortization period and actuarial cost method to conform with GASB 75 requirements. Changes in actuarial assumptions include revised rates per the retirement system pension valuations as of July 1, 2017, and interest rate based upon the March 31, 2018, 20-year municipal bond index per GASB 75 requirements. Other changes include revised rates based on actual data and projected trend and updated projected healthcare trend rates to follow the Getzen model.

*Changes in Benefit Terms*

*June 30, 2023:* None

*June 30, 2022:* None

*June 30, 2021:* None

*June 30, 2020:* None

*June 30, 2019:* None

*June 30, 2018:* Medical plans moved from Cigna to Allegiance as of January 1, 2016, the State implemented reference-based pricing hospital contracts effective July 1, 2016, and pharmacy moved from URx to Navitus as of January 1, 2017. The State implemented an Employer Group Waiver Program for Medicare retirees effective January 1, 2017.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for MUS plan.

**Total OPEB Liability and Related Ratios**  
**Last 10 Fiscal Years <sup>(1)</sup>**  
**(in thousands)**

Total OPEB Liability	2023	2022	2021	2020	2019	2018
Service cost	\$ 2,209	\$ 3,684	\$ 1,412	\$ 1,736	\$ 1,952	\$ 1,954
Interest	1,649	1,387	777	1,130	1,495	1,410
Difference between expected and actual experience	21,787	—	(17,388)	(15,015)	—	(1,323)
Changes of assumptions or other inputs	(36,802)	(17,283)	45,674	(1,791)	1,351	(182)
Benefit payments	—	2,476	(13)	1,441	(888)	(679)
Net change in Total OPEB Liability	(11,157)	(9,736)	30,462	(12,499)	3,910	1,180
Total OPEB Liability - Beginning	47,575	57,311	26,849	39,348	35,438	34,258
Total OPEB Liability - Ending	\$ 36,418	\$ 47,575	\$ 57,311	\$ 26,849	\$ 39,348	\$ 35,438
State and discretely presented component units' proportion of the collective Total OPEB Liability	95.45 %	95.18 %	95.18 %	94.92 %	95.59 %	95.62 %
Covered employee payroll <sup>(2)</sup>	\$ 474,869	\$ 425,451	\$ 415,074	\$ 418,193	\$ 451,613	\$ 434,243
Total OPEB Liability as a percentage of covered employee payroll	7.67 %	11.18 %	13.81 %	6.42 %	9.11 %	8.53 %

<sup>(1)</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

<sup>(2)</sup> Amount reported is for the whole MUS plan for 2018 and 2019. Community Colleges were included due to lack of ability to separate covered employee payroll for those years.

**Note to Schedule:** No assets are accumulated in a trust that meets the criteria of GASB 75.

## Factors that significantly affect trends in the amounts reported:

### *Changes in Actuarial Assumptions and Methods*

*June 30, 2023:* Changes in assumptions for 2023 were due to an increase in the discount rate from 3.31% to 3.98% and the projected payroll increased from 2.5% to 3.5%.

*June 30, 2022:* Changes in assumptions for 2022 were due to an increase in the discount rate from 2.23% to 3.31%.

*June 30, 2021:* Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%.

*June 30, 2020:* Changes in actuarial assumptions include a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020, municipal bond rate sources.

*June 30, 2019:* Changes in actuarial assumptions include interest rate based upon March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

*June 30, 2018:* Changes in actuarial methods include adjustments to the amortization period and actuarial cost method to conform with GASB 75 requirements. Changes in actuarial assumptions include revised rates per the retirement system pension valuations as of July 1, 2017, and interest rate based upon the March 31, 2018, 20-year municipal bond index per GASB 75 requirements, lapse rates were removed to reflect a return to standard retiree contribution levels, added employees covered by the MUS-RP, changes in revised rates based on actual data and projected trend and updated projected healthcare trend rates to follow the Getzen model.

### *Changes of Benefit Terms*

*June 30, 2023:* None

*June 30, 2022:* None

*June 30, 2021:* Carrier options reduced to one

*June 30, 2020:* Changes in benefit terms include increased annual deductible and out-of-pocket maximums

*June 30, 2019:* None

*June 30, 2018:* Increased deductible, increased out-of-pocket limits for Medical and RX, increased visit copays, pharmacy moved from URx to Navitus as of July 1, 2017, employer group waiver program for Medicare retirees became effective July 1, 2017, adopted combined annual visit max of 30 for multiple therapy services and massage therapy moved into rehabilitation benefit.

## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI – 4. RISK MANAGEMENT TREND INFORMATION

The following tables present risk management trend information for the Hail Insurance Fund and the MUS Group Benefits Fund. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no development cycle. The MUS Group Benefits Fund has a three to five-year development cycle.

The tables illustrate how the earned revenues (net of reinsurance) of the funds and their investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of the fiscal year (in thousands). Section 3 shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 6 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Section 7 compares the latest re-estimated incurred claims amount to the amount originally established (Section 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be revised as data for successive policy years develops.



**Montana University System – Medical, Dental, Vision, Rx Claims  
Claims Development Information**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>1. Premiums and investment Revenue</b>	\$ 94,733	\$ 92,149	\$ 95,150	\$ 98,599	\$ 98,885	\$ 99,369	\$ 100,693	\$ 84,297	\$ 80,764	\$ 79,257
<b>2. Unallocated expenses including overhead</b>	\$ 4,676	\$ 4,526	\$ 4,617	\$ 4,691	\$ 5,150	\$ 5,111	\$ 5,196	\$ 5,129	\$ 5,198	\$ 4,787
<b>3. Estimated losses and expenses end of accident year</b>	\$ 110,643	\$ 105,327	\$ 103,924	\$ 93,326	\$ 93,392	\$ 90,427	\$ 85,802	\$ 87,233	\$ 87,353	\$ 71,877
<b>4. Net paid (cumulative) as of:</b>										
End of policy year	\$ 101,040	\$ 96,927	\$ 93,363	\$ 83,896	\$ 82,211	\$ 80,393	\$ 75,601	\$ 76,400	\$ 79,388	\$ 63,317
One year later	—	105,192	101,661	93,665	91,306	89,050	84,575	85,796	88,943	69,073
Two years later	—	—	101,963	93,605	91,453	89,140	84,729	85,894	89,261	69,074
Three years later	—	—	—	93,611	91,452	89,161	84,738	86,002	89,624	69,076
Four years later	—	—	—	—	91,454	89,163	84,740	86,038	89,271	69,076
Five years later	—	—	—	—	—	89,165	84,739	86,121	89,283	69,076
Six years later	—	—	—	—	—	—	84,745	86,121	89,283	69,076
Seven years later	—	—	—	—	—	—	—	86,121	89,283	69,076
Eight years later	—	—	—	—	—	—	—	—	89,283	69,076
Nine years later	—	—	—	—	—	—	—	—	—	69,076
<b>5. Re-estimated ceded losses and expenses</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>6. Re-estimated net incurred losses and expense:</b>										
End of policy year	\$ 110,643	\$ 105,327	\$ 103,924	\$ 96,326	\$ 93,392	\$ 90,427	\$ 85,802	\$ 87,233	\$ 87,353	\$ 71,877
One year later	—	104,798	98,293	95,730	93,028	89,036	84,567	86,148	88,824	71,700
Two years later	—	—	101,963	93,605	91,453	89,140	84,729	85,894	89,261	69,074
Three years later	—	—	—	93,611	91,452	89,161	84,738	86,002	89,264	69,076
Four years later	—	—	—	—	91,454	89,163	84,740	86,038	89,271	69,076
Five years later	—	—	—	—	—	89,165	84,739	86,121	89,283	69,076
Six years later	—	—	—	—	—	—	84,745	86,121	89,283	69,076
Seven years later	—	—	—	—	—	—	—	86,121	89,283	69,076
Eight years later	—	—	—	—	—	—	—	—	89,283	69,076
Nine years later	—	—	—	—	—	—	—	—	—	69,076
<b>7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year</b>	\$ —	\$ (529)	\$ (1,961)	\$ (2,715)	\$ (1,938)	\$ (1,262)	\$ (1,058)	\$ (1,112)	\$ 1,931	\$ (2,800)

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State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2023

	Provided to Subrecipients	Total Federal Expenditures
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>		
<i>Unclustered</i>		
94.003 COVID-19 AmeriCorps State Commissions Support Grant	-	73,890
94.003 AmeriCorps State Commissions Support Grant	-	426,527
94.006 AmeriCorps State and National	1,861,933	2,285,695
94.009 Training and Technical Assistance	-	202,884
94.013 AmeriCorps Volunteers in Service to America	-	268,143
	<b>\$ 1,861,933</b>	<b>\$ 3,257,139</b>
	<i>Unclustered Total</i>	
	<b>\$ 1,861,933</b>	<b>\$ 3,257,139</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL</b>		

<b>DEPARTMENT OF AGRICULTURE</b>		
<i>Unclustered</i>		
10.001 Agricultural Research Basic and Applied Research	-	1,417
Washington State University 134967 SPC001287	-	5,016
10.025 Plant and Animal Disease, Pest Control, and Animal Care	-	1,320,090
10.069 Conservation Reserve Program	-	18,313
10.093 Voluntary Public Access and Habitat Incentive Program	-	718,682
10.162 Inspection Grading and Standardization	-	22,088
10.163 Market Protection and Promotion	-	84,868
10.170 Specialty Crop Block Grant Program - Farm Bill	715,785	2,680,139
10.182 Food Bank Network	1,520,000	1,554,413
10.187 The Emergency Food Assistance Program (TEFAP) Commodity Credit Corporation Eligible Recipient Funds	21,416	21,416
10.200 Grants for Agricultural Research, Special Research Grants	-	-
University of California, Davis A21-3578-S012	-	1,175
University of California, Davis A21-3578-S023	-	437
10.210 Higher Education - Graduate Fellowships Grant Program	-	70,983
10.250 Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	-	(10)

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

	Provided to Subrecipients	Total Federal Expenditures
10.310	78,378	221,927
	Agriculture and Food Research Initiative (AFRI)	
	Board of Regents - Nevada System of Higher Education GR14548	16,376
10.311	-	-
	Beginning Farmer and Rancher Development Program	
	Servicemember Agricultural Vocation Education Corporation	51,945
	Stone Child College 2021-49400-35612	10,346
10.435	-	19,650
	State Mediation Grants	
10.475	-	1,106,532
	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	
10.500	45,706	589,680
	Cooperative Extension Service	
	Brown University 00001714	30,095
	Kansas State University A22-0394-S012	9,907
	University of Missouri C00067296-3	4,212
	Utah State University 203672-758	13,349
10.516	-	145,955
	Rural Health and Safety Education Competitive Grants Program	
10.525	72,451	134,446
	Farm and Ranch Stress Assistance Network Competitive Grants Program	
	Washington State University 139244 SPC004157	7,544
10.541	-	1,162,914
	Child Nutrition-Technology Innovation Grant	
10.542	-	26,735,528
	COVID-19 Pandemic EBT Food Benefits	
10.557	4,899,298	14,619,869
	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	
10.558	603,953	11,948,258
	Child and Adult Care Food Program	
10.560	-	810,472
	State Administrative Expenses for Child Nutrition	
10.567	128,642	321,846
	COVID-19 Food Distribution Program on Indian Reservations	
10.567	2,481,799	5,353,988
	Food Distribution Program on Indian Reservations	
10.572	6,941	59,578
	WIC Farmers' Market Nutrition Program (FMNP)	
10.574	375,000	634,703
	Team Nutrition Grants	
10.575	-	30,165
	Farm to School Grant Program	
10.576	-	44,596
	Senior Farmers Market Nutrition Program	
10.578	182,066	190,076
	WIC Grants to States (WGS)	
10.579	130,792	130,792
	COVID-19 Child Nutrition Discretionary Grants Limited Availability	
10.579	60,153	395,716
	Child Nutrition Discretionary Grants Limited Availability	

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

	Provided to Subrecipients	Total Federal Expenditures
10.594	38,569	38,569
10.645	-	71,422
10.649	-	627,152
10.652	-	144,148
10.664	2,752,952	6,145,996
10.676	-	15,066
10.678	-	80
10.680	-	14,908
10.684	-	113,098
10.689	-	741
10.691	590,666	2,025,081
10.697	386,967	514,934
10.698	56,479	90,989
10.699	-	171,656
10.717	-	30,571
10.720	-	17,868
10.724	-	27,588
10.864	-	14,722
10.902	-	234,575
10.903	-	(4,807)
10.912	-	48,429
10.923	953,245	1,208,106
10.924	-	25,403
	-	343
	-	4,945
10.931	-	25,403
10.951	-	49,000
10. UXX	-	194,104
	<b>\$ 16,101,258</b>	<b>\$ 83,149,582</b>

**Unclustered Total**

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

		<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>Child Nutrition Cluster</b>			
10.553	COVID-19 School Breakfast Program	\$ 267,841	\$ 267,841
10.553	School Breakfast Program	11,606,949	11,740,080
10.555	COVID-19 National School Lunch Program	5,869,469	6,090,985
10.555	National School Lunch Program	37,185,029	37,435,531
10.556	Special Milk Program for Children	10,546	10,546
10.559	Summer Food Service Program for Children	2,830,064	2,970,386
10.582	Fresh Fruit and Vegetable Program	1,651,143	1,749,071
	<b>Child Nutrition Cluster Total</b>	<b>\$ 59,421,041</b>	<b>\$ 60,264,440</b>
<b>Food Distribution Cluster</b>			
10.565	Commodity Supplemental Food Program	\$ 271,929	\$ 2,271,246
10.568	Emergency Food Assistance Program (Administrative Costs)	349,825	494,623
10.569	Emergency Food Assistance Program (Food Commodities)	-	2,206,073
	<b>Food Distribution Cluster Total</b>	<b>\$ 621,754</b>	<b>\$ 4,971,942</b>
<b>Forest Service Schools and Roads Cluster</b>			
10.665	Schools and Roads - Grants to States	\$ 14,255,025	\$ 14,255,025
	<b>Forest Service Schools and Roads Cluster Total</b>	<b>\$ 14,255,025</b>	<b>\$ 14,255,025</b>
<b>SNAP Cluster</b>			
10.551	Supplemental Nutrition Assistance Program	\$ -	\$ 170,084,882
10.561	COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	924,194	1,403,411
	<b>SNAP Cluster Total</b>	<b>\$ 1,116,817</b>	<b>\$ 188,968,974</b>
10.561	Easter Seals-Goodwill Northern Rocky Mountain, Inc. 22022280000	-	22,475
	<b>DEPARTMENT OF AGRICULTURE TOTAL</b>	<b>\$ 91,515,895</b>	<b>\$ 351,609,963</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

	Provided to Subrecipients	Total Federal Expenditures
<b>DEPARTMENT OF COMMERCE</b>		
<i>Unclustered</i>		
11.008 NOAA Mission-Related Education Awards	-	107,012
11.032 State Digital Equity Planning Grants	-	503,110
11.035 Broadband Equity, Access, and Deployment Program	-	2,575,420
11.303 Economic Development Technical Assistance	-	147,253
11.550 Public Telecommunications Facilities Planning and Construction	-	-
Corporation for Public Broadcasting	-	65,387
Corporation for Public Broadcasting 1492	-	123,990
Metropolitan Indianapolis Public Media, Inc.	-	20,000
11.611 Manufacturing Extension Partnership	-	975,218
Missouri Enterprise	-	2
Oregon Manufacturing Extension	-	42,498
	<b>\$ -</b>	<b>\$ 4,559,890</b>
<b><i>Economic Development Cluster</i></b>		
11.307 COVID-19 Economic Adjustment Assistance	-	1,206,369
11.307 Economic Adjustment Assistance	-	162,739
Distressed Woods Loan 05-79-73005	-	3,222,189
EDA Revolving Loan 05-19-02445	-	349,238
	<b>\$ -</b>	<b>\$ 4,940,535</b>
<b><i>Economic Development Cluster Total</i></b>		
	<b>\$ -</b>	<b>\$ 9,500,425</b>
<b>DEPARTMENT OF COMMERCE TOTAL</b>		
<b>DEPARTMENT OF DEFENSE</b>		
<i>Unclustered</i>		
12.002 Procurement Technical Assistance for Business Firms	-	-
Big Sky Economic Development Authority	-	78,976
Big Sky Economic Development Authority SP4800-21-2-2122	-	12,072
12.005 Conservation and Rehabilitation of Natural Resources on Military Installations	-	1,703,735

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

	Provided to Subrecipients	Total Federal Expenditures
12.110	-	423,136
12.112	-	10,000
12.300	-	-
12.357	-	41,177
12.110	-	-
12.112	-	-
12.300	-	-
12.357	-	-
12.110	-	11,368,106
12.112	-	657,301
12.300	-	45,761
12.357	-	547,390
12.400	-	10,173,072
12.401	-	26,236,698
12.404	-	5,325,101
12.579	-	-
12.620	-	424,066
12.630	-	120,000
12.630	-	-
12.800	-	3,272
12.903	-	35,501
12.905	-	30,807
12.905	-	284,977
12.905	-	49,682
12.905	-	-
12.905	-	3,425
12.905	-	2,047,763
12.905	-	46,648
12.905	-	122,255
12.905	-	126,427
12.905	-	25,127
12.905	-	49,909

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

	Provided to Subrecipients	Total Federal Expenditures
Multilingual Solutions, Inc. 4014-006, PO 2023-GS-002	-	47,355
Multilingual Solutions, Inc. 4014-006, PO2022-GS-027	-	50,286
Multilingual Solutions, Inc. 4014-006, PO2023-GS-001	-	15,505
Pacific States Marine Fisheries Commission 22-155P	-	19,587
Pacific States Marine Fisheries Commission 22-162P	6,250	288,658
Pacific States Marine Fisheries Commission 22-171P	-	1,602,155
Pacific States Marine Fisheries Commission 23-126P	-	919,911
Pacific States Marine Fisheries Commission 23-143P	1,250	105,590
University of Washington UWSC13886	-	1,911
	<b>\$ 7,500</b>	<b>\$ 63,043,342</b>
	<b>\$ 7,500</b>	<b>\$ 63,043,342</b>

**DEPARTMENT OF EDUCATION**

*Unclustered*

84.002 Adult Education - Basic Grants to States	\$ 1,174,073	\$ 1,526,850
84.010 Title I Grants to Local Educational Agencies	52,358,755	54,354,588
84.011 Migrant Education State Grant Program	1,265,584	1,476,682
84.013 Title I State Agency Program for Neglected and Delinquent Children and Youth	-	284,549
84.016 Undergraduate International Studies and Foreign Language Programs	36,264	164,773
84.031 Higher Education Institutional Aid	-	761,775
84.048 Career and Technical Education -- Basic Grants to States	3,831,479	6,317,897
84.126 Rehabilitation Services Vocational Rehabilitation Grants to States	-	12,147,666
84.144 Migrant Education Coordination Program	59,645	59,645
84.177 Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	237,595
84.181 COVID-19 Special Education-Grants for Infants and Families	-	654,326
84.181 Special Education-Grants for Infants and Families	2,076,022	2,575,323
84.184 School Safety National Activities	-	461,779
84.187 Supported Employment Services for Individuals with the Most Significant Disabilities	-	236,113

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

	Provided to Subrecipients	Total Federal Expenditures
84.196	165,417	235,914
84.287	6,168,959	6,548,821
84.299	-	-
	-	207,748
	-	42,959
	-	352,948
84.305	30,000	197,368
84.323	113,685	541,785
84.325	-	34,789
84.326	-	121,695
84.334	-	78,863
84.335	1,856,772	5,457,298
84.358	-	108,971
84.365	848,267	898,700
84.367	333,883	473,847
	10,420,799	10,902,992
84.369	-	3,193,539
84.371	11,273,129	12,037,480
84.372	-	421,979
84.377	-	22,328
84.411	-	-
84.424	-	463,835
84.998	5,623,047	5,947,181
84.UXX	-	12,558
	-	104,667
	<b>\$ 97,635,780</b>	<b>\$ 129,667,826</b>

**Unclustered Total**

**The accompanying notes are an integral part of this schedule.**



**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

		<u>Provided to</u>	<u>Total Federal</u>
		<u>Subrecipients</u>	<u>Expenditures</u>
<b>Education Stabilization Fund</b>			
84.425C	COVID-19 Governor's Emergency Education Relief Fund	\$ 1,273,802	\$ 1,273,802
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund	59,775,458	61,245,873
84.425E	COVID-19 HEERF Student Aid	-	2,844,193
84.425F	COVID-19 HEERF Institutional Aid	-	15,996,794
84.425L	COVID-19 HEERF Minority Serving Institutions (MSIs)	-	67,222
84.425M	COVID-19 HEERF Strengthening Institutions Program (SIP)	-	469,321
84.425R	COVID-19 Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS)	185,101	1,871,610
84.425U	COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	105,477,688	111,247,895
84.425V	COVID-19 American Rescue Plan Emergency Assistance to Non-Public Schools (ARP EANS)	-	59,079
84.425W	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	541,634	579,210
	<b>Education Stabilization Fund Total</b>	<b>\$ 167,253,683</b>	<b>\$ 195,654,999</b>
<b>Special Education Cluster (IDEA)</b>			
84.027A	Special Education - Grants to States (IDEA, Part B)	\$ 36,723,653	\$ 41,362,400
84.027X	COVID-19 Special Education - Grants to States (IDEA, Part B)	4,927,773	4,928,584
84.173A	Special Education - Preschool Grants (IDEA Preschool)	1,254,725	1,257,728
84.173X	COVID-19 Special Education - Preschool Grants (IDEA Preschool)	360,447	360,447
	<b>Special Education Cluster (IDEA) Total</b>	<b>\$ 43,266,598</b>	<b>\$ 47,909,159</b>
<b>Student Financial Assistance Cluster</b>			
84.007	COVID-19 Federal Supplemental Educational Opportunity Grants	\$ -	\$ 145,731
84.007	Federal Supplemental Educational Opportunity Grants	-	2,165,670
84.033	Federal Work-Study Program	-	1,693,308
84.038	Federal Perkins Loan Program - Federal Capital Contributions	-	15,094,729
84.063	Federal Pell Grant Program	-	35,662,455
84.268	Federal Direct Student Loans	-	140,253,388
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	-	3,772
	<b>Student Financial Assistance Cluster Total</b>	<b>\$ -</b>	<b>\$ 195,019,053</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

		Provided to Subrecipients	Total Federal Expenditures
<b>TRIO Cluster</b>			
84.042	TRIO Student Support Services	-	2,624,805
84.044	TRIO Talent Search	23,264	1,523,471
84.047	TRIO Upward Bound	-	1,679,410
84.066	TRIO Educational Opportunity Centers	-	301,083
	<b>TRIO Cluster Total</b>	<b>\$ 23,264</b>	<b>\$ 6,128,769</b>
	<b>DEPARTMENT OF EDUCATION TOTAL</b>	<b>\$ 308,179,325</b>	<b>\$ 574,379,806</b>
<b>DEPARTMENT OF ENERGY</b>			
<i>Unclustered</i>			
81.041	State Energy Program	-	379,420
81.042	Weatherization Assistance for Low-Income Persons	1,754,738	2,515,677
81.086	Conservation Research and Development	-	-
	Utah Clean Cities DE-EE0008893	-	(9,991)
81.121	Nuclear Energy Research, Development and Demonstration	-	250
81.138	State Heating Oil and Propane Program	-	8,311
81.UXX	Miscellaneous Grants	-	-
	Bonneville Power Administration IAA NO. 87723	-	6,000
	National Fish and Wildlife Foundation 0201.22.073815	-	36,636
	Pacific States Marine Fisheries Commission 22-074G	-	70,555
	Pacific States Marine Fisheries Commission 23-025G	-	83,776
	<b>Unclustered Total</b>	<b>\$ 1,754,738</b>	<b>\$ 3,090,634</b>
	<b>DEPARTMENT OF ENERGY TOTAL</b>	<b>\$ 1,754,738</b>	<b>\$ 3,090,634</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

DEPARTMENT OF HEALTH AND HUMAN SERVICES		Provided to	Total Federal
<i>Unclustered</i>		Subrecipients	Expenditures
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	\$ 15,332	\$ 26,554
93.042	COVID-19 Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	16,977	72,822
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	98,006	104,461
93.043	COVID-19 Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	49,620	50,294
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	139,570	139,570
93.048	COVID-19 Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	-	107,784
93.052	COVID-19 National Family Caregiver Support, Title III, Part E	151,748	157,801
93.052	National Family Caregiver Support, Title III, Part E	916,938	987,414
93.069	COVID-19 Public Health Emergency Preparedness	-	1,143
93.069	Public Health Emergency Preparedness	2,939,907	5,313,384
93.070	Environmental Public Health and Emergency Response	10,635	491,908
93.071	Medicare Enrollment Assistance Program	182,746	225,764
93.072	Lifespan Respite Care Program	-	228,803
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance	-	96,993
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	-	104,354
93.090	COVID-19 Guardianship Assistance	-	246,763
93.090	Guardianship Assistance	-	3,780,272
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	142,720	229,258
93.103	Food and Drug Administration Research	-	363,905
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	38,000	38,872

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
93.107	338,182	648,265
93.110	1,435,010	3,553,998
	-	11,400
	-	9,000
93.116	1,093	250,694
93.127	-	137,758
93.130	37,500	157,924
93.136	321,236	3,281,840
93.150	224,235	261,546
93.155	1,909,738	2,196,198
93.155	-	-
	-	3,994
	-	4,044
	-	2,016
	-	454,176
	-	524,481
	-	-
93.178		
93.184		
93.185		
93.197		21,942
		163,897
93.217	171,948	242,679
93.235	38,799	122,005
93.236	97,675	350,020
93.240	-	442,724
93.241	769,168	966,768
93.243	4,613,511	7,914,187
	-	117,965

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**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
93.251 Early Hearing Detection and Intervention	20,217	177,453
93.262 Occupational Safety and Health Program	-	239,074
93.268 COVID-19 Immunization Cooperative Agreements	7,121,963	8,542,579
93.268 Immunization Cooperative Agreements	359,479	13,250,393
93.270 Viral Hepatitis Prevention and Control	102,259	348,403
93.307 Minority Health and Health Disparities Research	-	9,685,464
93.323 COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	3,952,183	15,919,964
93.323 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	1,123,111	9,222,093
93.324 State Health Insurance Assistance Program	380,336	468,551
93.325 Paralysis Resource Center	-	-
Christopher and Dana Reeve Foundation	-	49,907
93.336 COVID-19 Behavioral Risk Factor Surveillance System	-	11,479
93.336 Behavioral Risk Factor Surveillance System	-	555,628
93.354 COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	1,115,490	1,956,542
93.354 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	225	8,957
93.359 Nurse Education, Practice Quality and Retention Grants	18,750	732,066
93.369 COVID-19 ACL Independent Living State Grants	54,307	55,276
93.369 ACL Independent Living State Grants	324,306	354,522
Institute for Rehabilitation and Research 2022-YR2-SILC-UMONTANA	-	10,694
Institute for Rehabilitation and Research 2023-Yr3-SILC-UMONTANA	-	23,216
93.387 National and State Tobacco Control Program	242,104	1,279,658
93.391 COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	6,016,058	7,566,818
93.421 COVID-19 Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	-	-
Council of State and Territorial Epidemiologists NU380T000297	-	59,117

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

		Provided to Subrecipients	Total Federal Expenditures
93.421	Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health Association of University Centers on Disabilities 22-8814-22 Association of University Centers on Disabilities 8/21/8815 National Network of Public Health Institutes, Inc. G2402_AG_1030	-	-
93.423	1332 State Innovation Waivers	29,819,136	29,819,136
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	41,500	1,928,582
93.432	ACL Centers for Independent Living Institute for Rehabilitation and Research 2022-YR2-CIL-UMONTANA Institute for Rehabilitation and Research 2023-Yr3-CIL-UMONTANA	-	-
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research Shepherd Center SHEP-19-0013 University of Massachusetts B001177895	46,546	352,872
93.434	Every Student Succeeds Act/Preschool Development Grants Idaho State University 23-0112A	-	18,412
93.435	Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke	-	1,693
93.448	Food Safety and Security Monitoring Project	47,000	3,908
93.464	ACL Assistive Technology	-	123,218
93.470	Alzheimer's Disease Program Initiative (ADPI)	-	1,553,666
93.478	Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees	-	142,122
93.495	Community Health Workers for Public Health Response and Resilient Partnership Health Center, Inc.	-	515,078
93.497	COVID-19 Family Violence Prevention and Services/ Sexual Assault/Rape Crisis Services and Supports	-	59,937
93.498	COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	-	212,455
93.504	Family to Family Health Information Centers	-	-
		-	81,569
		-	188
		-	20,972
		-	102,567

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**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
93.516 Public Health Training Centers Program	-	181,070
University of Colorado Denver FY23.641.010	-	2,898
University of Colorado FY22.641.013_AMD2	-	4,130
University of Denver FY19.641.005   2-5-M9096	-	10,020
93.547 National Health Service Corps	112,427	120,005
93.556 MaryLee Allen Promoting Safe and Stable Families Program	(1,027)	2,376,836
93.558 COVID-19 Temporary Assistance for Needy Families	-	2,585,718
93.558 Temporary Assistance for Needy Families	1,896,383	13,777,444
93.563 Child Support Enforcement	-	12,067,341
93.566 Refugee and Entrant Assistance State/Replacement Designee Administered Programs	618,174	941,248
93.568 COVID-19 Low-Income Home Energy Assistance	2,446,595	5,004,339
93.568 Low-Income Home Energy Assistance	6,416,596	33,129,448
93.569 COVID-19 Community Services Block Grant	34,043	1,237,769
93.569 Community Services Block Grant	3,178,083	3,468,102
93.586 COVID-19 State Court Improvement Program	-	49,108
93.586 State Court Improvement Program	19,500	220,866
Confederated Salish and Kootenai Tribes 21-063	-	365
93.590 COVID-19 Community-Based Child Abuse Prevention Grants	-	439
93.590 Community-Based Child Abuse Prevention Grants	125,000	222,235
93.597 Grants to States for Access and Visitation Programs	-	101,474
93.599 Chafee Education and Training Vouchers Program (ETV)	312,412	314,738
93.603 Adoption and Legal Guardianship Incentive Payments	85,724	867,743
93.630 Developmental Disabilities Basic Support and Advocacy Grants	565,946	565,946
93.632 University Centers for Excellence in Developmental Disabilities Education, Research, and Service	-	534,460
93.636 ACA - Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	60,238	350,088
93.639 COVID-19 Section 9813: State Planning Grants for Qualifying Community-Based Mobile Crisis Intervention Services	274,301	276,390
93.643 Children's Justice Grants to States	-	82,900

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

	Provided to Subrecipients	Total Federal Expenditures
93.645	-	545,572
93.648	-	-
93.658	-	17,805
93.658	703,119	13,967,461
93.659	-	28,731
93.659	-	96,545
93.665	-	1,218,745
93.665	436,508	14,880,543
93.667	2,811,219	492,870
93.669	-	5,926,534
93.669	-	50,848
93.671	606,457	212,159
93.671	859,537	608,472
93.674	932,854	864,817
93.732	74,019	1,086,366
93.747	-	1,893,302
93.747	-	930,152
93.761	-	478,037
93.761	-	53,012
93.762	-	-
93.767	-	-
93.767	-	35,979
93.788	4,604,473	4,630,100
93.788	-	84,164,823
93.788	-	5,891,547

**The accompanying notes are an integral part of this schedule.**



**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

	Provided to Subrecipients	Total Federal Expenditures
93.791		1,280,643
93.822		586,417
93.829		126
93.870	18,347	152,171
93.870	3,100,284	3,797,880
93.884		527,330
93.889	940,657	1,056,811
93.898	332,135	2,038,414
93.912	201,568	373,867
93.913		45,129
93.917		240,832
93.940	775,420	2,422,131
93.946	415,780	827,701
93.958		194,030
93.958	2,767,305	2,818,311
93.959	1,567,882	2,009,262
93.959	2,061,402	3,873,099
93.967	4,513,080	6,391,813
93.967		23,788
93.969	24,125	96,505
93.970	237,516	816,907
93.977	392,865	618,449
93.977		927,757
93.982		298,345
93.988	82,717	86,967
		138

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

		<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
93.991	Preventive Health and Health Services Block Grant	175,536	956,218
93.994	Maternal and Child Health Services Block Grant to the States	1,107,593	2,003,961
93.UXX	Miscellaneous Grants	186,803	187,545
	<b>Unclustered Total</b>	<b>\$ 111,518,860</b>	<b>\$ 391,846,486</b>
<b>Aging Cluster</b>			
93.044	COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	467,061	606,842
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	1,992,898	2,364,609
93.045	COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services	741,051	768,802
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	3,398,260	3,995,114
93.053	Nutrition Services Incentive Program	1,169,461	1,333,520
	<b>Aging Cluster Total</b>	<b>\$ 7,768,731</b>	<b>\$ 9,068,887</b>
<b>CCDF Cluster</b>			
93.575	COVID-19 Child Care and Development Block Grant	517,366	46,372,660
93.575	Child Care and Development Block Grant	6,723,430	25,853,740
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	919,731	7,332,065
	<b>CCDF Cluster Total</b>	<b>\$ 8,160,527</b>	<b>\$ 79,558,465</b>
<b>Head Start Cluster</b>			
93.600	Head Start	-	109,635
	Stone Child College 90YT000038-01-00	-	158,606
	<b>Head Start Cluster Total</b>	<b>\$ -</b>	<b>\$ 268,241</b>
<b>Medicaid Cluster</b>			
93.775	State Medicaid Fraud Control Units	-	720,767
93.777	COVID-19 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	2,596
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	3,101,253
93.778	COVID-19 Medical Assistance Program	-	72,705,620
93.778	Medical Assistance Program	90,328	1,939,924,364
	<b>Medicaid Cluster Total</b>	<b>\$ 90,328</b>	<b>\$ 2,016,454,600</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2023

		Provided to Subrecipients	Total Federal Expenditures
<b>Student Financial Assistance Cluster</b>			
93.264	Nurse Faculty Loan Program (NFLP)	-	1,895
93.342	Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students	-	281,088
93.364	Nursing Student Loans	-	2,852,839
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	-	412,900
	<b>Student Financial Assistance Cluster Total</b>	<b>-\$</b>	<b>3,548,722</b>
	<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL</b>	<b>127,538,446</b>	<b>2,500,745,401</b>

<b>DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Unclustered</i>			
97.008	Non-Profit Security Program	105,372	107,017
97.012	Boating Safety Financial Assistance	-	452,849
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	-	326,180
97.036	COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	6,953,923	8,518,640
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	11,495,232	13,264,742
97.039	Hazard Mitigation Grant	1,374,723	1,586,686
97.041	National Dam Safety Program	-	203,340
97.042	Emergency Management Performance Grants	2,311,314	3,684,768
97.045	Cooperating Technical Partners	-	6,279,408
97.046	Fire Management Assistance Grant	-	169,425
97.047	BRIC: Building Resilient Infrastructure and Communities Spackman Mossop Michaels, LLC	415,037	546,836
97.067	Homeland Security Grant Program	4,179,436	5,180,489
97.082	Earthquake State Assistance	-	54,228
	<b>Unclustered Total</b>	<b>26,835,037</b>	<b>40,382,989</b>
	<b>DEPARTMENT OF HOMELAND SECURITY TOTAL</b>	<b>26,835,037</b>	<b>40,382,989</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

		Provided to Subrecipients		Total Federal Expenditures
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Unclustered</i>				
14.228	COVID-19 Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	1,941,762	\$	2,026,241
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	3,879,438		4,330,006
14.231	COVID-19 Emergency Solutions Grant Program	529,272		1,025,949
14.231	Emergency Solutions Grant Program	1,239,108		1,316,866
14.239	COVID-19 Home Investment Partnerships Program	-		85,236
14.239	Home Investment Partnerships Program	3,039,521		3,268,173
14.241	COVID-19 Housing Opportunities for Persons with AIDS	30,726		44,763
14.241	Housing Opportunities for Persons with AIDS	959,133		950,059
14.275	Housing Trust Fund	1,398,456		1,611,646
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	-		213,792
		<b>Unclustered Total</b>	<b>\$</b>	<b>13,017,416</b>
				<b>\$ 14,872,731</b>
<i>Housing Voucher Cluster</i>				
14.871	COVID-19 Section 8 Housing Choice Vouchers	-	\$	501,789
14.871	Section 8 Housing Choice Vouchers	-		22,983,971
14.879	Mainstream Vouchers	-		329,719
		<b>Housing Voucher Cluster Total</b>	<b>\$</b>	<b>23,815,479</b>
<i>Section 8 Project-Based Cluster</i>				
14.195	Section 8 Housing Assistance Payments Program	-	\$	27,856,233
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	-		1,484,228
		<b>Section 8 Project-Based Cluster Total</b>	<b>\$</b>	<b>29,340,461</b>
				<b>\$ 68,028,671</b>
		<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL</b>	<b>\$</b>	<b>13,017,416</b>

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

<b>DEPARTMENT OF JUSTICE</b>		<b>Provided to</b>	<b>Total Federal</b>
<i>Unclustered</i>		<b>Subrecipients</b>	<b>Expenditures</b>
		\$	\$
16.017	Sexual Assault Services Formula Program	372,597	377,477
16.034	COVID-19 Coronavirus Emergency Supplemental Funding Program	167,212	261,471
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	-	20,621
16.528	Enhanced Training and Services to End Violence and Abuse of Women Later in Life	76,224	89,942
16.540	Juvenile Justice and Delinquency Prevention	473,539	567,738
16.543	Missing Children's Assistance	51,992	286,759
16.548	Delinquency Prevention Program	69,067	93,028
16.550	State Justice Statistics Program for Statistical Analysis Centers	-	9,023
16.554	National Criminal History Improvement Program (NCHIP)	40,838	288,298
16.571	Public Safety Officers' Benefits Program	-	114,435
16.575	Crime Victim Assistance	5,102,799	5,556,256
16.576	Crime Victim Compensation	-	654,049
16.582	Crime Victim Assistance/Discretionary Grants	-	114,412
16.585	Treatment Court Discretionary Grant Program	-	1,210,379
	Tribal Law and Policy Institute	-	42,868
	Tribal Law and Policy Institute Agreement 03	-	212,522
16.588	Violence Against Women Formula Grants	836,646	946,775
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	1,319	23,268
16.593	Residential Substance Abuse Treatment for State Prisoners	192,658	217,399
16.606	State Criminal Alien Assistance Program	-	37,672
16.609	Project Safe Neighborhoods	57,249	80,457
16.710	Public Safety Partnership and Community Policing Grants	-	350,409
16.726	Juvenile Mentoring Program	-	-
	National 4-H Council 4H NMP-11: 2020-JU-FX-0031	-	11,366
16.738	Edward Byrne Memorial Justice Assistance Grant Program	726,930	1,064,993
16.741	DNA Backlog Reduction Program	-	538,967

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

		<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	-	177,854
16.750	Support for Adam Walsh Act Implementation Grant Program	-	118,092
16.758	Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	2,834	461,873
16.816	John R. Justice Prosecutors and Defenders Incentive Act	-	64,623
16.831	Children of Incarcerated Parents	-	136,251
16.833	National Sexual Assault Kit Initiative	-	154,551
16.838	Comprehensive Opioid, Stimulant, and other Substances Use Program	173,776	382,474
16.839	STOP School Violence	-	551,298
16.922	Equitable Sharing Program	-	539,128
	<b>Unclustered Total</b>	<b>\$ 8,345,680</b>	<b>\$ 15,756,728</b>
	<b>DEPARTMENT OF JUSTICE TOTAL</b>	<b>\$ 8,345,680</b>	<b>\$ 15,756,728</b>

**DEPARTMENT OF LABOR**

**Unclustered**

17.002	Labor Force Statistics	-	\$ 701,631
17.005	Compensation and Working Conditions	-	103,303
17.225	COVID-19 Unemployment Insurance	-	(173,562)
17.225	Unemployment Insurance	-	117,485,902
17.235	Senior Community Service Employment Program	386,124	406,434
17.245	Trade Adjustment Assistance	-	43,163
17.271	Work Opportunity Tax Credit Program (WOTC)	-	66,000
17.273	Temporary Labor Certification for Foreign Workers	-	347,868
17.277	COVID-19 WIOA National Dislocated Worker Grants / WIA National Emergency Grants	-	13
17.504	Consultation Agreements	-	647,756
17.600	Mine Health and Safety Grants	-	354,639
	<b>Unclustered Total</b>	<b>\$ 386,124</b>	<b>\$ 119,983,147</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

		Provided to Subrecipients	Total Federal Expenditures
<b>Employment Service Cluster</b>			
17.207	Employment Service/Wagner-Peyser Funded Activities	-	\$ 5,243,414
17.801	Jobs for Veterans State Grants	-	707,040
	<b>Employment Service Cluster Total</b>	<b>-</b>	<b>\$ 5,950,454</b>
<b>WIOA Cluster</b>			
17.258	WIOA Adult Program	273,779	\$ 2,384,412
17.259	WIOA Youth Activities	1,663,155	2,361,703
17.278	WIOA Dislocated Worker Formula Grants	24,627	1,467,988
	<b>WIOA Cluster Total</b>	<b>\$ 1,961,561</b>	<b>\$ 6,214,103</b>
<b>DEPARTMENT OF LABOR TOTAL</b>			
		<b>\$ 2,347,685</b>	<b>\$ 132,147,704</b>

**DEPARTMENT OF STATE**

**Unclustered**

19.009	Academic Exchange Programs - Undergraduate Programs World Learning CBPSA19-MSUB01	435,974	\$ 1,930,621 13,908
19.010	Academic Exchange Programs - Hubert H. Humphrey Fellowship Program Institute of International Education 3000255840	-	-
19.040	Public Diplomacy Programs	-	75,789
19.401	Academic Exchange Programs - Scholars	-	197,610
19.408	Academic Exchange Programs - Teachers	1,597,398	3,501,776
	International Research and Exchanges Board FY21-FTEA-MSU-01	-	-
	International Research and Exchanges Board FY23-FTEA-MSU-01	-	112
	International Research and Exchanges Board FY23-FTEA-MSU-02	-	224,639
	Professional and Cultural Exchange Programs - Citizen Exchanges	-	30,000
19.415	American Councils for International Education S-ECAGD-20-CA-0043	-	307,640
	American Councils for International Education SECAGD21CA3075	-	280,044
		-	210,947

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**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

		<u>Provided to</u>		<u>Total Federal</u>
		<u>Subrecipients</u>		<u>Expenditures</u>
19.600	Bureau of Near Eastern Affairs	-		-
	Georgetown University	-		67,318
	Georgetown University MSU-20210716	-		(267)
	Georgetown University MSU-20220621	-		238,966
	<b>Unclustered Total</b>	<b>\$ 2,033,372</b>	<b>\$</b>	<b>7,079,103</b>
	<b>DEPARTMENT OF STATE TOTAL</b>	<b>\$ 2,033,372</b>	<b>\$</b>	<b>7,079,103</b>

**DEPARTMENT OF THE INTERIOR**

*Unclustered*

15.018	Energy Community Revitalization Program (ECRP)	-	\$	3,495,293
15.025	Services to Indian Children, Elderly and Families	-		25,731
15.034	Agriculture on Indian Lands	-		-
	Fort Belknap Community Council A10AV00583	-		13,014
15.159	Cultural Resources Management	-		11,827
15.224	Cultural and Paleontological Resources Management	-		32,066
15.225	Recreation and Visitor Services	-		2,329
15.228	BLM Fuels Management and Community Fire Assistance Program Activities	-		3,454
15.236	Environmental Quality and Protection	-		496,361
15.247	Wildlife Resource Management	-		220,704
	NatureServe MT-035-FY22	-		20,000
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	-		2,225,490
15.252	Abandoned Mine Land Reclamation (AMLR)	-		2,758,392
15.427	Federal Oil and Gas Royalty Management State and Tribal Coordination	-		493,551
15.514	Reclamation States Emergency Drought Relief	-		105,118
15.517	Fish and Wildlife Coordination Act	-		121,080
15.524	Recreation Resources Management	-		89,912
15.557	Applied Science Grants	-		35,471
15.608	Fish and Wildlife Management Assistance	-		73,448

**The accompanying notes are an integral part of this schedule.**



**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

	Provided to Subrecipients	Total Federal Expenditures
15.615 Cooperative Endangered Species Conservation Fund	-	13,769
15.634 State Wildlife Grants	-	615,713
15.637 Migratory Bird Joint Ventures	17,839	16,630
15.657 Endangered Species Recovery Implementation	-	348,691
15.663 NFWF-USFWS Conservation Partnership	-	-
The Nature Conservancy MTBU-071221-01SC	-	19,894
15.666 Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	-	30,000
15.670 Adaptive Science	-	11,879
15.904 Historic Preservation Fund Grants-In-Aid	283,196	1,122,204
15.916 Outdoor Recreation Acquisition, Development and Planning	1,688,233	1,865,822
15.929 Save America's Treasures	-	831
15.944 Natural Resource Stewardship	-	5,000
15.945 Cooperative Research and Training Programs - Resources of the National Park System	-	14,607
15.954 National Park Service Conservation, Protection, Outreach, and Education	-	29,050
National Writing Project 16-MT03-NPS2021	-	(1,211)
National Writing Project 16-MT03-NPS2021-RD	-	3,000
National Writing Project 16-MT03-NPS2022	-	3,500
15.959 Education Program Management	-	-
Kha'p'o Community School A18AV00750	-	1,057
15.UXX Miscellaneous Grants	15,801	181,434
Kearnes and West, Inc. 1800-1444-1	-	19,220
National Fish and Wildlife Foundation 66972	-	285,055
<b>Unclustered Total</b>	<b>\$ 2,005,069</b>	<b>\$ 14,809,386</b>
 <b>Fish and Wildlife Cluster</b>		
15.605 Sport Fish Restoration	-	6,814,791
15.611 Wildlife Restoration and Basic Hunter Education	641,007	23,635,187
15.626 Enhanced Hunter Education and Safety	-	64,287
<b>Fish and Wildlife Cluster Total</b>	<b>\$ 641,007</b>	<b>\$ 30,514,265</b>
<b>DEPARTMENT OF THE INTERIOR TOTAL</b>	<b>\$ 2,646,076</b>	<b>\$ 45,323,651</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

	Provided to Subrecipients	Total Federal Expenditures
<b>DEPARTMENT OF THE TREASURY</b>		
<i>Unclustered</i>		
21.020 Community Development Financial Institutions Program	-	\$ 66,549
21.023 COVID-19 Emergency Rental Assistance Program	1,480,062	73,242,431
21.026 COVID-19 Homeowner Assistance Fund	-	2,849,673
21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds	76,625,361	127,091,835
Cascade County, Montana 2315	-	194,417
City of Great Falls, Montana ARASA2305	-	23,320
City-County of Butte-Silver Bow, Montana 2022-187	-	279,675
Gallatin County, Montana	-	497,731
Montana Technology Enterprise Center	-	139,786
21.UXX Miscellaneous Grants	-	7,771
	<b>\$ 78,105,423</b>	<b>\$ 204,393,188</b>
	<i>Unclustered Total</i>	<i>Unclustered Total</i>
	<b>\$ 78,105,423</b>	<b>\$ 204,393,188</b>
<b>DEPARTMENT OF THE TREASURY TOTAL</b>		
<b>DEPARTMENT OF TRANSPORTATION</b>		
<i>Unclustered</i>		
20.106 COVID-19 Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	-	\$ 595,206
20.106 Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	-	4,611,079
20.205 COVID-19 Highway Planning and Construction	-	51,544,956
20.205 Highway Planning and Construction	2,419,122	528,755,823
20.215 Highway Training and Education	-	166,234
North Dakota State University FAR0036205	-	4,696
20.219 Recreational Trails Program	1,283,632	1,446,033
20.224 Federal Lands Access Program	-	6,514,748
20.301 Railroad Safety	-	4,397

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

		Provided to Subrecipients	Total Federal Expenditures
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	570,936	600,334
20.509	COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	2,778,853	2,795,780
20.509	Formula Grants for Rural Areas and Tribal Transit Program	13,225,412	13,829,476
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	-	1,220,245
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	-	89,178
20.700	Pipeline Safety Program State Base Grant	-	162,276
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	227,321	239,343
20.725	PHMSA Pipeline Safety Underground Natural Gas Storage Grant	-	1,732
	<b>Unclustered Total</b>	<b>\$ 20,505,276</b>	<b>\$ 612,581,536</b>
	<b>Federal Transit Cluster</b>		
20.526	COVID-19 Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	888,017	888,017
20.526	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs Missoula Urban Transportation Capital Contract #2101	61,337	525,152
	<b>Federal Transit Cluster Total</b>	<b>\$ 949,354</b>	<b>\$ 1,502,303</b>
	<b>FMCSA Cluster</b>		
20.218	Motor Carrier Safety Assistance	-	5,678,209
	<b>FMCSA Cluster Total</b>	<b>-</b>	<b>\$ 5,678,209</b>
	<b>Highway Safety Cluster</b>		
20.600	State and Community Highway Safety	118,680	2,107,014
20.616	National Priority Safety Programs	664,092	1,158,085
	<b>Highway Safety Cluster Total</b>	<b>\$ 782,772</b>	<b>\$ 3,265,099</b>
	<b>Transit Services Programs Cluster</b>		
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	51,310	51,310
	<b>Transit Services Programs Cluster Total</b>	<b>\$ 51,310</b>	<b>\$ 51,310</b>
	<b>DEPARTMENT OF TRANSPORTATION TOTAL</b>	<b>\$ 22,288,712</b>	<b>\$ 623,078,457</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

	Provided to Subrecipients	Total Federal Expenditures
<b>DEPARTMENT OF VETERANS AFFAIRS</b>		
<i>Unclustered</i>		
64.005 Grants to States for Construction of State Home Facilities	-	\$ 3,093,923
64.015 COVID-19 Veterans State Nursing Home Care	-	122,928
64.015 Veterans State Nursing Home Care	-	10,803,533
64.041 VHA Outpatient Specialty Care	-	92,186
64.124 All-Volunteer Force Educational Assistance	-	107,922
64.203 Veterans Cemetery Grants Program	-	6,959
	<b>Unclustered Total</b>	<b>\$ 14,227,451</b>
 <b>DEPARTMENT OF VETERANS AFFAIRS TOTAL</b>		
	<b>\$ -</b>	<b>\$ 14,227,451</b>
 <b>ELECTION ASSISTANCE COMMISSION</b>		
<i>Unclustered</i>		
90.404 COVID-19 2018 HAVA Election Security Grants	-	\$ 110
90.404 2018 HAVA Election Security Grants	26,462	1,097,102
	<b>Unclustered Total</b>	<b>\$ 1,097,212</b>
 <b>ELECTION ASSISTANCE COMMISSION TOTAL</b>		
	<b>\$ 26,462</b>	<b>\$ 1,097,212</b>
 <b>ENVIRONMENTAL PROTECTION AGENCY</b>		
<i>Unclustered</i>		
66.034 Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	-	\$ 494,543
66.040 Diesel Emissions Reduction Act (DERA) State Grants	-	254,488
66.204 Multipurpose Grants to States and Tribes	-	31,671
66.419 Water Pollution Control State, Interstate, and Tribal Program Support	-	143,879
66.433 State Underground Water Source Protection	-	231,500

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

		<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
66.442	Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	236,608	236,608
66.444	Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	-	116,609
66.454	Water Quality Management Planning	-	117,917
66.460	Nonpoint Source Implementation Grants	-	2,080,796
66.461	Regional Wetland Program Development Grants	-	92,571
66.605	Performance Partnership Grants	9,048	5,435,085
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	-	184,991
66.708	Pollution Prevention Grants Program	-	58,781
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	-	2,564,482
66.804	Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	-	400,098
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	-	537,067
66.817	State and Tribal Response Program Grants	-	996,516
66.818	Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	-	195,927
66.951	Environmental Education Grants	10,074	31,384
66.961	Superfund State and Indian Tribe Combined Cooperative Agreements (Site-Specific and Core)	-	462,395
	<b>Unclustered Total</b>	<b>\$ 255,730</b>	<b>\$ 14,667,308</b>
	<b>Clean Water State Revolving Fund Cluster</b>		
66.458	Clean Water State Revolving Fund	-	\$ 302,524,516
	<b>Clean Water State Revolving Fund Cluster Total</b>	<b>\$ -</b>	<b>\$ 302,524,516</b>
	<b>Drinking Water State Revolving Fund Cluster</b>		
66.468	Drinking Water State Revolving Fund	-	\$ 200,473,232
	<b>Drinking Water State Revolving Fund Cluster Total</b>	<b>\$ -</b>	<b>\$ 200,473,232</b>
	<b>ENVIRONMENTAL PROTECTION AGENCY TOTAL</b>	<b>\$ 255,730</b>	<b>\$ 517,665,056</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

	Provided to Subrecipients	Total Federal Expenditures
<b>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</b>		
<i>Unclustered</i>		
30.001 Employment Discrimination Title VII of the Civil Rights Act of 1964	-	\$ 153,101
<b>Unclustered Total</b>	-	<b>\$ 153,101</b>
<b>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION TOTAL</b>		
	-	<b>\$ 153,101</b>
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>		
<i>Unclustered</i>		
95.001 High Intensity Drug Trafficking Areas Program	-	\$ 189,543
<b>Unclustered Total</b>	-	<b>\$ 189,543</b>
<b>EXECUTIVE OFFICE OF THE PRESIDENT TOTAL</b>		
	-	<b>\$ 189,543</b>
<b>FEDERAL COMMUNICATIONS COMMISSION</b>		
<i>Unclustered</i>		
32.004 Universal Service Fund - Schools and Libraries	-	\$ 22,066
<b>Unclustered Total</b>	-	<b>\$ 22,066</b>
<b>FEDERAL COMMUNICATIONS COMMISSION TOTAL</b>		
	-	<b>\$ 22,066</b>
<b>FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL APPRAISAL SUBCOMMITTEE</b>		
<i>Unclustered</i>		
38.006 State Appraiser Agency Support Grants	-	\$ 39,955
<b>Unclustered Total</b>	-	<b>\$ 39,955</b>
<b>FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL APPRAISAL SUBCOMMITTEE TOTAL</b>		
	-	<b>\$ 39,955</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

	Provided to Subrecipients	Total Federal Expenditures
<b>GENERAL SERVICES ADMINISTRATION</b>		
<i>Unclustered</i>		
39.003 Donation of Federal Surplus Personal Property	-	(87,702)
	<u>\$</u>	<u>\$</u>
<b>Unclustered Total</b>	<b>-</b>	<b>(87,702)</b>
<b>GENERAL SERVICES ADMINISTRATION TOTAL</b>		
	<u>\$</u>	<u>\$</u>
	<b>-</b>	<b>(87,702)</b>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>		
<i>Unclustered</i>		
45.301 Museums for America	-	68,054
45.310 COVID-19 Grants to States	-	1,078,271
45.310 Grants to States	-	1,239,920
Montana History Foundation, Inc.	-	6,000
45.312 National Leadership Grants	-	193,842
Texas A&M University M2201312	-	150
45.313 Laura Bush 21st Century Librarian Program	-	22,646
	<u>\$</u>	<u>\$</u>
<b>Unclustered Total</b>	<b>-</b>	<b>2,608,883</b>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES TOTAL</b>		
	<u>\$</u>	<u>\$</u>
	<b>-</b>	<b>2,608,883</b>
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>		
<i>Unclustered</i>		
43.001 Science	-	46,759
43.008 Office of Stem Engagement (OSTEM)	-	35,746
	<u>\$</u>	<u>\$</u>
<b>Unclustered Total</b>	<b>-</b>	<b>82,505</b>
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL</b>		
	<u>\$</u>	<u>\$</u>
	<b>-</b>	<b>82,505</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

**NATIONAL ENDOWMENT FOR THE ARTS**

*Unclustered*

		Provided to Subrecipients	Total Federal Expenditures
45.024	Promotion of the Arts Grants to Organizations and Individuals Arts Midwest 00031283	23,650	\$ 61,522
	Wyoming Arts Council 225050	-	25,000
45.025	COVID-19 Promotion of the Arts Partnership Agreements	365,693	7,941
45.025	Promotion of the Arts Partnership Agreements	570,129	365,693
	<b>Unclustered Total</b>	<b>\$ 959,472</b>	<b>1,014,020</b>
		<b>\$ 959,472</b>	<b>\$ 1,474,176</b>

**NATIONAL ENDOWMENT FOR THE ARTS TOTAL**

**NATIONAL ENDOWMENT FOR THE HUMANITIES**

*Unclustered*

45.129	Promotion of the Humanities Federal/State Partnership Humanities Montana 22R006	-	-
	Humanities Montana 22R026	-	5,000
	Humanities Montana 22R034	-	5,000
	Humanities Montana 23R003	-	1,000
	Humanities Montana 23R006	-	1,999
45.149	Promotion of the Humanities Division of Preservation and Access	-	6,767
45.160	Promotion of the Humanities Fellowships and Stipends Association of Tribal Archives ATALM - 74	-	203,056
45.161	COVID-19 Promotion of the Humanities Research	-	-
45.162	Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	-	18,814
		-	94,125
		-	47,897

The accompanying notes are an integral part of this schedule.



State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2023

		Provided to Subrecipients	Total Federal Expenditures
45.163	Promotion of the Humanities Professional Development Fort Peck Community College BH-288078-02	-	6,054
45.164	Promotion of the Humanities Public Programs National Trust for Historic Preservation ZOR-283411-21	-	337,843
	<b>Unclustered Total</b>	-	<b>747,200</b>
	<b>NATIONAL ENDOWMENT FOR THE HUMANITIES TOTAL</b>	-	<b>747,200</b>

**PEACE CORPS**

*Unclustered*

45.UXX	Miscellaneous Grants	-	9,113
	<b>Unclustered Total</b>	-	<b>9,113</b>
	<b>PEACE CORPS TOTAL</b>	-	<b>9,113</b>

**SMALL BUSINESS ADMINISTRATION**

*Unclustered*

59.037	COVID-19 Small Business Development Centers	-	112,233
59.037	Small Business Development Centers	-	722,427
59.043	Women's Business Ownership Assistance Montana Technology Enterprise Center	-	15,000
59.061	State Trade Expansion	-	1,092,070
59.075	Shuttered Venue Operators Grant Program	-	(370)
	<b>Unclustered Total</b>	-	<b>1,941,360</b>
	<b>SMALL BUSINESS ADMINISTRATION TOTAL</b>	-	<b>1,941,360</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

	Provided to Subrecipients	Total Federal Expenditures
<b>SOCIAL SECURITY ADMINISTRATION</b>		
<i>Unclustered</i>		
96.008 Social Security - Work Incentives Planning and Assistance Program	\$ 88,388	\$ 257,102
	<b>\$ 88,388</b>	<b>\$ 257,102</b>
<i>Unclustered Total</i>		
<b>Disability Insurance/SSI Cluster</b>		
96.001 Social Security Disability Insurance	-	6,246,385
	-	<b>\$ 6,246,385</b>
<i>Disability Insurance/SSI Cluster Total</i>		
	<b>\$ 88,388</b>	<b>\$ 6,503,487</b>
<b>SOCIAL SECURITY ADMINISTRATION TOTAL</b>		
<b>UNKNOWN FEDERAL AGENCY</b>		
<i>Unclustered</i>		
99.UXX Miscellaneous Grants	-	50,000
	-	<b>\$ 50,000</b>
<i>Unclustered Total</i>		
	-	<b>\$ 50,000</b>
<b>UNKNOWN FEDERAL AGENCY TOTAL</b>		

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State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

<u>Research and Development Cluster</u>	Provided to	Total Federal
DEPARTMENT OF AGRICULTURE	Subrecipients	Expenditures
<b><i>Agricultural Marketing Service</i></b>		
10.170 Specialty Crop Block Grant Program - Farm Bill University of Iowa 503276-01	-	-
10.173 Sheep Production and Marketing Grant Program National Sheep Improvement Center NSIIC   MARQUES 2023	-	45,301
10.174 Acer Access Development Program	36,425	1,446
	<b>\$ 36,425</b>	<b>\$ 206,015</b>
<b><i>Agricultural Marketing Service Total</i></b>		
	<b>\$ -</b>	<b>\$ 1,427,030</b>
<b><i>Agricultural Research Service</i></b>		
10.001 Agricultural Research Basic and Applied Research	-	-
	<b>\$ -</b>	<b>\$ 1,427,030</b>
<b><i>Animal and Plant Health Inspection Service</i></b>		
10.025 Plant and Animal Disease, Pest Control, and Animal Care State of Iowa 21CRDWBTHARM-0001	-	246,249
10.028 Wildlife Services	-	2,474
	-	33,498
	<b>\$ -</b>	<b>\$ 282,221</b>
<b><i>Animal and Plant Health Inspection Service Total</i></b>		
	<b>\$ -</b>	<b>\$ 10,622</b>
<b><i>Economic Research Service</i></b>		
10.250 COVID-19 Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	-	-
	<b>\$ -</b>	<b>\$ 10,622</b>
<b><i>Economic Research Service Total</i></b>		
	<b>\$ -</b>	<b>\$ 10,622</b>
<b><i>Farm Service Agency</i></b>		
10.069 Conservation Reserve Program	-	46,443
	<b>\$ -</b>	<b>\$ 46,443</b>
<b><i>Forest Service</i></b>		
10.652 Forestry Research	-	2,847,558
10.664 Cooperative Forestry Assistance	-	65,939
10.665 Schools and Roads - Grants to States	-	18,965
10.680 Forest Health Protection	-	149,026
10.682 National Forest Foundation	-	4,219
	<b>\$ -</b>	<b>\$ 2,847,558</b>
<b><i>Farm Service Agency Total</i></b>		
	<b>\$ -</b>	<b>\$ 46,443</b>
<b><i>Forest Service Total</i></b>		
	<b>\$ -</b>	<b>\$ 2,847,558</b>

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

**Research and Development Cluster**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
10.684 International Forestry Programs	-	150,148
10.699 Partnership Agreements	-	314,555
Swan Valley Connections 2021 HERRICK RUN NATIVE FISH	-	2,991
10.707 Research Joint Venture and Cost Reimbursable Agreements	-	453,627
10.714 Infrastructure Investment and Job Act Joint Fire Science Program (Research & Development)	-	60
10.717 Infrastructure Investment and Jobs Act Restoration/Revegetation	-	-
National Fish and Wildlife Foundation 5200.23.078141	-	37,891

**Forest Service Total**

**\$ - \$ 4,044,979**

***National Institute of Food and Agriculture***

10.200 Grants for Agricultural Research, Special Research Grants	-	-
Mississippi State University 327054.11.12.FR20-5	-	15,490
University of California, Davis A20-1347-S043	-	(69)
University of Idaho AP5081-870733	-	3,413
University of Idaho AP5923-870185	-	13,757
10.202 Cooperative Forestry Research	-	650,854
10.203 Payments to Agricultural Experiment Stations Under the Hatch Act	-	2,619,522
10.207 Animal Health and Disease Research	-	56,567
10.215 Sustainable Agriculture Research and Education	5,854,039	8,039,136
Colorado State University G-07002-04	-	3,628
10.217 Higher Education - Institution Challenge Grants Program	33,178	49,486
California Polytechnic State University, San Luis Obispo 2022-3-53734	-	36,506
10.227 1994 Institutions Research Program	-	-
Fort Peck Community College 2021-38424-34955-1	-	10,804
Nueta Hidatsa Sahnish College	-	16,163
Salish Kootenai College MSU-01	-	53,100
10.304 Homeland Security Agricultural	-	-
Kansas State University A22-0145-S002	-	8,669
Kansas State University A23-0126-S002	-	10,636
Purdue University F008724402032	-	24,863

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

**Research and Development Cluster**

	Provided to Subrecipients	Total Federal Expenditures
10.307 Organic Agriculture Research and Extension Initiative	124,276	559,860
North Dakota State University #FAR0035171	-	40,559
Utah State University 202524-663	-	54,079
10.309 Specialty Crop Research Initiative	280,461	491,141
Colorado State University G-1363-04	-	1,188
University of Idaho AN4829-846776	-	62,513
University of Minnesota H007082503	-	23,726
10.310 Agriculture and Food Research Initiative (AFRI)	295,678	2,407,485
Board of Regents - Nevada System of Higher Education GR12932	-	9,692
Boise State University 10015-PO139386	-	53,417
Colorado State University G-40591-01	-	8,858
Geneshifters, LLC 37440-001	-	18,319
Kansas State University A21-0417-S002	-	16,104
North Dakota State University #FAR0034530	-	451
Oregon State University C0599B-A	-	45,411
Pennsylvania State University S002665-USDA	-	70,326
Purdue University F9000315202080	-	19,958
The University of North Carolina at Greensboro 20180006.1	-	2,468
University of California, Davis A22-1483-S011	-	84,944
University of New Hampshire L0015	-	37,398
10.320 Sun Grant Program	-	-
North Dakota State University FAR0035415	-	240
North Dakota State University FAR0035420	-	7,893
10.329 Crop Protection and Pest Management Competitive Grants Program	-	280,325
10.330 Alfalfa and Forage Research Program	104,804	248,619
10.331 Food Insecurity Nutrition Incentive Grants Program	-	-
Community Food and Agriculture Coalition	-	10,154
10.333 Urban, Indoor, and Other Emerging Agricultural Production Research, Education, and Extension Initiative	-	-
Community Food and Agriculture Coalition 2021-70034-35326	-	33,673

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**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

<u>Research and Development Cluster</u>	Provided to Subrecipients	Total Federal Expenditures
10.500 Cooperative Extension Service	-	3,842,179
10.525 Farm and Ranch Stress Assistance Network Competitive Grants Program Washington State University 139244 SPC002077	-	211,340
10.527 New Beginnings for Tribal Students	-	59,711
<b>National Institute of Food and Agriculture Total</b>	<b>\$ 6,692,436</b>	<b>\$ 20,314,556</b>
<b>Natural Resources Conservation Service</b>		
10.902 Soil and Water Conservation Pheasants Forever, Inc. WLRW 2021-02	-	329,765
Regents of New Mexico State University Q02422	-	247,877
10.912 Environmental Quality Incentives Program Montana Grazing Land Conservation Initiative	-	38,744
Piikamii Lodge Health Institute NR223A750013G025_MSU	-	8,448
University of Illinois at Urbana-Champaign 103926-18435	-	3,847
<b>Natural Resources Conservation Service Total</b>	<b>\$ -</b>	<b>\$ 886,343</b>
<b>Rural Business Cooperative Service</b>		
10.350 Technical Assistance to Cooperatives National Association of Development Organizations 484.01	-	-
10.351 Rural Business Development Grant National Association of Development Organizations 488.01	-	83,948
National Association of Development Organizations 489.01	-	-
National Association of Development Organizations 490.01	-	21,635
National Association of Development Organizations 491.01	-	121,945
<b>Rural Business Cooperative Service Total</b>	<b>\$ -</b>	<b>\$ 28,156</b>
<b>Miscellaneous Research and Development</b>		
10.RD Miscellaneous Research and Development The Nature Conservancy MITFO040722_MS	-	2,954
<b>Miscellaneous Research and Development Total</b>	<b>\$ -</b>	<b>\$ 258,638</b>
<b>DEPARTMENT OF AGRICULTURE TOTAL</b>	<b>\$ 6,728,861</b>	<b>\$ 27,505,768</b>

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State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2023

<u>Research and Development Cluster</u>	Provided to Subrecipients	Total Federal Expenditures
<b>DEPARTMENT OF COMMERCE</b>		
<i>Economic Development Administration</i>		
11.307 Economic Adjustment Assistance Oregon State University X0255A-A	-	-
<b>Economic Development Administration Total</b>	<b>\$ -</b>	<b>12,850</b>
<i>National Institute of Standards and Technology</i>		
11.609 Measurement and Engineering Research and Standards	-	77,678
<b>National Institute of Standards and Technology Total</b>	<b>\$ -</b>	<b>77,678</b>
<i>National Oceanic and Atmospheric Administration</i>		
11.431 Climate and Atmospheric Research University Corporation for Atmospheric Research SUBAWD2174	-	392,899
11.438 Pacific Coast Salmon Recovery Pacific Salmon Treaty Program State of Alaska AKSF-53005	-	264,942
11.440 COVID-19 Environmental Sciences, Applications, Data, and Education	-	71,195
11.440 Environmental Sciences, Applications, Data, and Education	-	2,256
11.459 Weather and Air Quality Research	-	28,442
<b>National Oceanic and Atmospheric Administration Total</b>	<b>\$ -</b>	<b>32,783</b>
<i>Miscellaneous Research and Development</i>		
11.RD Miscellaneous Research and Development	2,500	127,004
<b>Miscellaneous Research and Development Total</b>	<b>\$ 2,500</b>	<b>127,004</b>
<b>DEPARTMENT OF COMMERCE TOTAL</b>		
	<b>\$ 2,500</b>	<b>1,010,049</b>
<b>DEPARTMENT OF DEFENSE</b>		
<i>Defense Advanced Research Projects Agency</i>		
12.910 Research and Technology Development BioSqueeze, Inc. HR00112290096 North Carolina State University 2016-2896-04	1,888,454	2,821,846
<b>Defense Advanced Research Projects Agency Total</b>	<b>\$ -</b>	<b>83,340</b>
	<b>\$ 1,888,454</b>	<b>456</b>
	<b>\$ 1,888,454</b>	<b>2,905,642</b>

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**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

**Research and Development Cluster**

***Department of the Air Force***

12.800	Air Force Defense Research Sciences Program	\$ 524,376	\$ 37,142,327
	S2 Corporation	-	75,848
	S2 Corporation #S2-1954-19-01A (3B)	1,812	356,439
	S2 Corporation #S2-1954-19-01F (3A)	-	461,719
	<b>Department of the Air Force Total</b>	<b>\$ 526,188</b>	<b>\$ 38,036,333</b>

***Department of the Army***

12.005	Conservation and Rehabilitation of Natural Resources on Military Installations	\$ 66,532	\$ 195,859
12.114	Collaborative Research and Development University of North Carolina Chapel Hill 5123041	-	71,422
12.420	Military Medical Research and Development Baylor College of Medicine 7000001103	83,986	263,979
	University of California, Davis A19-0382-S001-A02	-	2,912
12.431	Basic Scientific Research	-	81,409
	Civil-Military Innovation Institute, Inc. 22-ARL-TRACA-PP-UMT-001	236,300	11,781,301
	University of Maryland 109255-Z8471202	-	238,873
	University of Maryland 92951-Z8310202	-	1,482,025
12.632	Legacy Resource Management Program	-	167,526
	<b>Department of the Army Total</b>	<b>\$ 386,818</b>	<b>\$ 14,358,937</b>

***Department of the Navy***

12.300	Basic and Applied Scientific Research	\$ 138,377	\$ 4,638,070
	Advanced Ceramic Fibers, LLC	-	46,999
	Global Strategic Solutions, LLC STTR N68335-21-C-0591	-	82,495
	Pennsylvania State University S000044-ONR	-	57,506
	Washington State University 140178 SPC003260	-	82,608
	<b>Department of the Navy Total</b>	<b>\$ 138,377</b>	<b>\$ 4,907,678</b>

***Office of the Secretary of Defense***

12.630	Basic, Applied, and Advanced Research in Science and Engineering	\$ -	\$ 303,840
	<b>Office of the Secretary of Defense Total</b>	<b>\$ -</b>	<b>\$ 303,840</b>

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State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

<u>Research and Development Cluster</u>	Provided to Subrecipients	Total Federal Expenditures
<b>Miscellaneous Research and Development</b>		
12.RD Miscellaneous Research and Development	\$ 351,241	\$ 3,756,424
Advanced Technology International Order No.: W81XWH-22-90014	75,000	649,438
BioSqueeze, Inc. MT23-019	-	12,449
Civil-Military Innovation Institute, Inc. 2022-ARL-TRACA-PP-UMT-00	-	607,384
Duke University 313-0873	-	(2,435)
Johns Hopkins University 169061	205,226	279,936
Nutronics, Inc. SUBK-MSU-VDHWFS2-01-012720	-	4,910
QinetiQ, Inc. RS3-33-039	-	61,102
S2 Corporation S2-1025-19-01	-	179
Tufts University ARM212-MSU/ PO# EPO166321	-	(46)
	<b>\$ 631,467</b>	<b>\$ 5,369,341</b>
<b>Miscellaneous Research and Development Total</b>		
	<b>\$ 3,571,304</b>	<b>\$ 65,881,771</b>
<b>DEPARTMENT OF DEFENSE TOTAL</b>		
	<b>\$ -</b>	<b>\$ -</b>
<b>Institute of Education Sciences</b>		
84.305 Education Research, Development and Dissemination	-	-
University of Missouri C00064217-1	-	109,038
	<b>\$ -</b>	<b>\$ 109,038</b>
<b>Institute of Education Sciences Total</b>		
	<b>\$ -</b>	<b>\$ -</b>
<b>Office of Elementary and Secondary Education</b>		
84.184 School Safety National Activities	-	22,929
84.336 Teacher Quality Partnership Grants	-	543,887
84.356 Alaska Native Educational Programs	-	-
Learning Point Alaska S356A210002	-	40,745
84.365 English Language Acquisition State Grants	-	-
Learning Point Alaska T365C210008	-	29,413
	<b>\$ -</b>	<b>\$ 636,974</b>
<b>Office of Elementary and Secondary Education Total</b>		

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

**Research and Development Cluster**

**Office of Postsecondary Education**

84.217	TRIO McNair Post-Baccalaureate Achievement	-	\$ 272,189
	<b>Office of Postsecondary Education Total</b>	<b>-</b>	<b>\$ 272,189</b>
	<b>DEPARTMENT OF EDUCATION TOTAL</b>	<b>-</b>	<b>\$ 1,018,201</b>

**DEPARTMENT OF ENERGY**

81.049	Office of Science Financial Assistance Program	552,445	\$ 3,727,631
	University of Nebraska-Lincoln 25-1215-0265-004	-	40,360
	Washington State University 132345 SPC001690	-	172,411
	Yale University GR104542 (CON-80001480)	-	897
81.086	Conservation Research and Development	30,183	3,224,586
	North Dakota State University FAR0034253	-	66,009
81.087	Renewable Energy Research and Development	559,856	1,708,530
	Bridger Photonics, Inc.	-	42,461
	Carbon Solutions, LLC	-	(73)
	Clemson University 2107-219-2023054	-	7,510
	Impossible Sensing, LLC	-	51,845
	University of Toledo F-2019-14	-	44,540
	University of Toledo SUBAWARD NO: F-2023-24	-	27,592
81.089	Fossil Energy Research and Development	-	-
	New Mexico Institute of Mining P0019650	-	95,058
	University of North Dakota DE-FE0032060	-	29,679
	University of Wyoming 1005212-MTU	-	106,776
81.121	Nuclear Energy Research, Development and Demonstration	-	31,307
	<b>Total</b>	<b>\$ 1,142,484</b>	<b>\$ 9,377,119</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

<u>Research and Development Cluster</u>	Provided to Subrecipients	Total Federal Expenditures
<i>Miscellaneous Research and Development</i>		
81.RD Miscellaneous Research and Development	-	-
Leidos P010259575	-	15,202
Leidos P010259575 (TASK 2)	-	82,509
Los Alamos National Security, LLC 20268	-	9,245
Pacific Northwest National Laboratory 629744	-	26,715
RSJ EnTech, LLC LMS7547	-	57,976
Sandia National Laboratories 2183707	-	75,030
Sandia National Laboratories 2271165	-	19,563
Sandia National Laboratories 2426749	-	53,031
<b>Miscellaneous Research and Development Total</b>	<b>\$ -</b>	<b>\$ 339,271</b>

**DEPARTMENT OF ENERGY TOTAL**  
**\$ 1,142,484**  
**\$ 9,716,390**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

*Administration for Children and Families*

93.092	Affordable Care Act (ACA) Personal Responsibility Education Program Planned Parenthood Minnesota	-	-
	<b>Administration for Children and Families Total</b>	<b>\$ -</b>	<b>\$ 11,837</b>

*Administration for Community Living*

93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research Institute for Rehabilitation and Research 2022-NCE-017-UMONTANA-SCIM Institute for Rehabilitation and Research 2023-YR1-UMONTANA-SCI TEXAS MO University of Kansas FY2017-048-M7 University of Massachusetts B001324706	87,280	\$ 855,369 (609) 42,898 32,007 9,191 115,962
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	-	-
93.761	Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	-	365
	<b>Administration for Community Living Total</b>	<b>\$ 87,280</b>	<b>\$ 1,055,183</b>

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

**Research and Development Cluster**

***Centers for Disease Control and Prevention***

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
93.061 Innovations in Applied Public Health Research Hyprotek, Inc.	-	-
93.136 Injury Prevention and Control Research and State and Community Based Programs	121,068	44,649
93.262 Occupational Safety and Health Program Utah State University 203193-715	-	440,951
93.317 Emerging Infections Programs	-	12,576
93.946 Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	56,335	4,314
	-	155,385

**Centers for Disease Control and Prevention Total**      \$      **177,403**      \$      **657,875**

***Food and Drug Administration***

93.103 Food and Drug Administration Research	-	17
	-	17

**Food and Drug Administration Total**      \$      -      \$      -      \$      17

***Health Resources and Services Administration***

93.107 Area Health Education Centers	165,331	193,346
93.110 Maternal and Child Health Federal Consolidated Programs American College of Obstetricians and Gynecologists	-	-
American College of Obstetricians and Gynecologists 06-30-1224-5255-14	-	9,000
93.247 Advanced Nursing Education Workforce Grant Program	-	9,672
93.301 Small Rural Hospital Improvement Grant Program	461,527	560,867
93.359 Nurse Education, Practice Quality and Retention Grants	33,750	530,756

**Health Resources and Services Administration Total**      \$      **660,608**      \$      **1,312,846**

***Indian Health Service***

93.654 Indian Health Service Behavioral Health Programs	-	-
Confederated Salish and Kootenai Tribes 23-112	-	954
93.970 Health Professions Recruitment Program for Indians	-	436

**Indian Health Service Total**      \$      -      \$      -      \$      1,390

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

<u>Research and Development Cluster</u>		<u>Provided to</u>	<u>Total Federal</u>
		<u>Subrecipients</u>	<u>Expenditures</u>
<b>National Institutes of Health</b>			
93.113	Environmental Health Michigan State University RC107307MON University of Rochester 417656G/UR FAO GR510992 University of Rochester R0AES030940-01	\$ 189,460	\$ 1,121,755 (2,509) 30,366 88,877
93.121	Oral Diseases and Disorders Research	-	97,703
93.143	NIEHS Superfund Hazardous Substances_Basic Research and Education University of Utah U000357299	-	-
93.172	Human Genome Research Institute for Systems Biology 2018.0008 Institute for Systems Biology 2022.0001 Southcentral Foundation 2018-201 University of Arizona 679458 University of Colorado FY21.1078.001	-	3,021 1,940 608 24,916 86,111
93.173	Research Related to Deafness and Communication Disorders Massachusetts General Hospital 300315 Promilad Biopharma, Inc. 2R42DC017641-02A1	16,828	151,913 146,834
93.233	National Center on Sleep Disorders Research University of Nebraska Medical Center 24-0506-0263-002	-	228,804 146,703
93.242	Mental Health Research Grants Kaiser Foundation Research Institute RRG210241-MSU   2023333016	-	11,515 74,790
93.273	Alcohol Research Programs Baylor University 1001444-01   PO# ORD0096493	23,687	18,694 28,288
93.279	Drug Abuse and Addiction Research Programs	-	59,035
93.286	COVID-19 Discovery and Applied Research for Technological Innovations to Improve Human Health	277,364	640,069 191,131
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	414,422	1,077,008

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

**Research and Development Cluster**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
93.307 Minority Health and Health Disparities Research University of Missouri C00077769-1 University of New Mexico Health Sciences Center 3RJN7 University of New Mexico Health Sciences Center 3RJN7 - P50MD015706 University of New Mexico Health Sciences Center 3RJN7 / PO	259,236 - - -	963,414 19,069 13,087 55,389 (6,590)
93.310 COVID-19 Trans-NIH Research Support	38,458	91,969
93.310 Trans-NIH Research Support	-	380,940
American Association on Health and Disability	-	8,434
American Association on Health and Disability 202210	-	8,307
Board of Trustees of the University of Arkansas 54005 G223807843	-	241,105
Board of Trustees of the University of Arkansas 54005 SPC-003218	-	243,978
Board of Trustees of the University of Arkansas 54005 SPC-006854	-	26,800
Board of Trustees of the University of Arkansas 54005/G229201034	-	(88)
Board of Trustees of the University of Arkansas 54005/G229201036	-	10,234
Board of Trustees of the University of Arkansas 54005-VDORA/G229201020	-	1,097
Board of Trustees of the University of Arkansas 54487 SPC-006637	-	47,769
93.350 National Center for Advancing Translational Sciences	-	6,694
University of Washington UWSC13478	-	44,714
University of Washington UWSC13595	-	210,839
University of Washington UWSC13596	-	58,296
93.351 Research Infrastructure Programs	-	-
Dermaxon, LLC 1R41RT003929	-	14,543
93.361 Nursing Research	-	-
University of Florida UFDSPO0012150	-	121,326
93.393 Cancer Cause and Prevention Research	-	106,024
Westat 6632-S16	-	259,876
93.397 Cancer Centers Support Grants	-	-
University of Utah 10053843-06-UM/POU00030971	-	19,588
93.846 Arthritis, Musculoskeletal and Skin Diseases Research	16,124	499,379
University of Florida SUB000003147	-	14,232

The accompanying notes are an integral part of this schedule.



**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

**Research and Development Cluster**

	<b>Provided to</b>	<b>Total Federal</b>
	<b>Subrecipients</b>	<b>Expenditures</b>
Northwest Indian College NWIC-SA24226-MSU	-	603
Oklahoma State University 5-554009	-	20,967
Photon Biosciences, LLC	-	96,195
Rutgers, The State University of New Jersey PO# 663268/ SUBAWARD #0222	-	97,463
The Regents of the University of California 00011037	-	22,733
University of Hawaii at Manoa Z10236376	-	2,489
University of Hawaii at Manoa Z10252146	-	10,000
University of Nevada, Las Vegas GR11257   MSU-08-02-CEO	-	(3,135)
University of Nevada, Las Vegas GR11257 MSU-08-03-PILOT-BECKER	-	19
University of Nevada, Las Vegas GR11257MSU0804GR16010MSU0903	-	38,114
University of Nevada, Las Vegas GR11265	-	5,709
University of Nevada, Las Vegas GR11265-BERD	-	199
University of Nevada, Las Vegas GR11265-CEO	-	14
University of Nevada, Las Vegas GR11265-CP3	-	1,170
University of Nevada, Las Vegas GR11265-PG-CHO	-	8,268
University of Nevada, Las Vegas GR16010	-	23,965
University of Nevada, Las Vegas GR16010 / MSU-09-01-BERD	-	47,741
University of Nevada, Las Vegas GR16010   MSU-09-02-CEO	-	22,859
University of Nevada, Las Vegas GR16016_Task UMT-09-01-BERD	-	58,403
University of Nevada, Las Vegas GR16016_Task UMT-09-02-CEO	-	172,002
University of Nevada, Las Vegas GR16016_Task UMT-09-03-CP3	-	121,696
University of Nevada, Las Vegas GR16016_Task UMT-09-05	-	34,998
University of Nevada, Las Vegas GR16016_UMT-09-06-PG-MIZNER	-	37,107
University of Nevada, Las Vegas U54GM104944	-	22,437
University of Utah 10047369-S2	-	46,501
University of Utah PO U000148335 / 10047369-S2	-	29,881
University of Washington UWSC9319	-	79,127
Virtici, LLC GM130166	-	461

The accompanying notes are an integral part of this schedule.



State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

**Research and Development Cluster**

	Provided to Subrecipients	Total Federal Expenditures
93.865 Child Health and Human Development Extramural Research	133,492	428,011
Board of Trustees of the University of Arkansas #54005 PO#G229201003	-	4,817
Board of Trustees of the University of Arkansas 54005 Amend 2 SPC-006318	-	22,504
University of Virginia GB10953.PO# 2366464	-	40,892
93.866 Aging Research	-	385,350
University of Maryland 1R01AG069915   PO#10000008692	-	15,547
University of Washington UWSC10030/BPO26347	-	40,294
93.867 Vision Research	-	601
University of California, Berkeley SUBAWARD NO. 00010266	-	42,629

***National Institutes of Health Total***

	<b>\$ 4,280,483</b>	<b>\$ 34,098,111</b>
<b><i>Substance Abuse and Mental Health Services Administration</i></b>		
93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance	-	125,190
Browning Schools 2586-001	-	21,107
93.959 Block Grants for Prevention and Treatment of Substance Abuse	-	-
University of Wyoming 1005405-MU/217116	-	4,082

***Substance Abuse and Mental Health Services Administration Total***

	<b>\$ -</b>	<b>\$ 150,379</b>
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***Miscellaneous Research and Development***

93.RD Miscellaneous Research and Development	4,483,767	8,032,331
Boston Children's Hospital GENFD0002049784	-	109,342
Boston Children's Hospital GENFD0002257612	-	64,957
Duke University 7273 POPS V	-	26

***Miscellaneous Research and Development Total***

	<b>\$ 4,483,767</b>	<b>\$ 8,206,656</b>
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***DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL***

	<b>\$ 9,689,541</b>	<b>\$ 45,494,294</b>
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The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

<u>Research and Development Cluster</u>	Provided to Subrecipients	Total Federal Expenditures
<b>DEPARTMENT OF HOMELAND SECURITY</b>		
<i>Miscellaneous Research and Development</i>		
97.RD Miscellaneous Research and Development	111,714	4,795,502
	<u>111,714</u>	<u>4,795,502</u>
<i>Miscellaneous Research and Development Total</i>		
	<u>111,714</u>	<u>4,795,502</u>
<b>DEPARTMENT OF HOMELAND SECURITY TOTAL</b>		
	<u>111,714</u>	<u>4,795,502</u>
<b>DEPARTMENT OF JUSTICE</b>		
<i>Office of Justice Programs</i>		
16.560 National Institute of Justice Research, Evaluation, and Development Project Grants George Mason University E2054611	-	50,561
	-	98,438
	<u>-</u>	<u>148,999</u>
<i>Office of Justice Programs Total</i>		
	<u>-</u>	<u>148,999</u>
<i>Miscellaneous Research and Development</i>		
16.RD Miscellaneous Research and Development	-	58,058
	<u>-</u>	<u>58,058</u>
<i>Miscellaneous Research and Development Total</i>		
	<u>-</u>	<u>58,058</u>
<b>DEPARTMENT OF JUSTICE TOTAL</b>		
	<u>-</u>	<u>207,057</u>
<b>DEPARTMENT OF THE INTERIOR</b>		
<i>Bureau of Land Management</i>		
15.224 Cultural and Paleontological Resources Management	-	(9,735)
15.230 Invasive and Noxious Plant Management	-	162,028
15.231 Fish, Wildlife and Plant Conservation Resource Management	-	72,496
15.232 Joint Fire Science Program	-	9,841
15.236 Environmental Quality and Protection	-	41,024
15.244 Fisheries and Aquatic Resources Management	-	202,713
15.245 Plant Conservation and Restoration Management	-	7,619
15.247 Wildlife Resource Management	-	720,604
	<u>-</u>	<u>1,206,590</u>
<i>Bureau of Land Management Total</i>		
	<u>-</u>	<u>1,206,590</u>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

**Research and Development Cluster**

***National Park Service***

	Provided to Subrecipients	Total Federal Expenditures
15.915 Technical Preservation Services	-	2
15.922 Native American Graves Protection and Repatriation Act	-	35,175
15.945 Cooperative Research and Training Programs - Resources of the National Park System	1,172	1,083,291
Pennsylvania State University 5003084-NPS	-	16,943
University of Wyoming-National Park Service (UW-NPS) Research Station 1005065-MSU-KRAGH	-	464
University of Wyoming-National Park Service (UW-NPS) Research Station 1005396-MSU	-	3,530
15.954 National Park Service Conservation, Protection, Outreach, and Education	-	110,579
<b>National Park Service Total</b>	<b>1,172</b>	<b>1,249,984</b>

***U.S. Fish and Wildlife Service***

15.608 Fish and Wildlife Management Assistance	-	130,345
15.611 Wildlife Restoration and Basic Hunter Education	-	2,633,381
Idaho Department of Fish and Game	-	12,285
Idaho Department of Fish and Game IDFG-FY23-293	-	139,633
Missouri Department of Conservation 369-B	84,854	99,241
Missouri Department of Conservation 377-B	-	44,085
Missouri Department of Conservation CA-472	19,117	19,317
North Dakota Game and Fish Department W-68-R-3	-	14,591
State of Nevada SG22-03	-	191,731
State of South Dakota 19CS06W012	-	39,431
Wisconsin Department of Natural Resources PO 37000-0000022409	-	102,390
15.628 Multistate Conservation Grant	-	-
Council to Advance Hunting and the Shooting Sports FP CONTRACT 22-0578	12,100	13,109
15.634 State Wildlife Grants	-	-
Commonwealth of Virginia 2STP 96-6	-	18,800
Texas Parks and Wildlife Department CA-0002647	-	75,967
Wyoming Game and Fish Department 003033	-	44,685
15.637 Migratory Bird Joint Ventures	-	168,779

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

<u>Research and Development Cluster</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
15.650 Research Grants (Generic)	-	437
15.654 National Wildlife Refuge System Enhancements	-	83,838
15.655 Migratory Bird Monitoring, Assessment and Conservation Institute for Wetland and Waterfowl Research	-	124,762
15.657 Endangered Species Recovery Implementation South Dakota Department of Game, Fish, and Parks 19-0600-048-01 University of California, Santa Cruz A21-0829-S001	-	429,022
15.660 Candidate Species Conservation	-	23,868
15.662 Great Lakes Restoration	82,642	42,108
15.664 Fish and Wildlife Coordination and Assistance	-	19,603
15.669 Cooperative Landscape Conservation National Fish and Wildlife Foundation 5200.23.078141	-	145,016
15.670 Adaptive Science Climate Conservation	-	112,255
15.676 Youth Engagement, Education, and Employment	-	-
15.678 Cooperative Ecosystem Studies Units	-	6,687
15.684 White-nose Syndrome National Response Implementation	-	42,645
	-	9,409
	-	19,390
	-	229,151
	-	46,309
<b>US Geological Survey</b>	<b>198,713</b>	<b>5,131,986</b>
15.073 Earth Mapping Resources Initiative Regents of the University of Idaho CG6646-817918	-	2,634
15.805 Assistance to State Water Resources Research Institutes	-	5,050
15.807 Earthquake Hazards Program Assistance	-	89,904
15.808 COVID-19 U.S. Geological Survey Research and Data Collection	-	50,709
15.808 U.S. Geological Survey Research and Data Collection	-	88,302
15.810 National Cooperative Geologic Mapping	-	399,254
15.812 Cooperative Research Units	1,034	663,380
15.814 National Geological and Geophysical Data Preservation	-	639,736
	-	195,551
<b>U.S. Fish and Wildlife Service Total</b>	<b>\$</b>	<b>\$</b>

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

<u>Research and Development Cluster</u>	Provided to Subrecipients	Total Federal Expenditures
15.815 National Land Remote Sensing Education Outreach and Research AmericaView, Inc. AV18-MT-01	-	24,616
15.820 National and Regional Climate Adaptation Science Centers University of Colorado Boulder 1559947 PO 1001445221 University of Colorado Boulder PO 1001362655/1559255 University of Colorado Boulder PRJCT1559852/PO1001410250 University of Colorado 1559603 University of Denver 1562926 University of Washington UWSC10097 BPO 58427 GRAY University of Washington UWSC10097/BP027133 University of Washington UWSC10097BPO58425 University of Washington UWSC13838/BPO67279 University of Washington UWSC13839/BPO67280 University of Washington UWSC14370, BPO#71524	-	56,629 1,253 3,916 32,546 14,710 3,100 3,864 19,400 26,953 38,687 16,031
15.980 National Ground-Water Monitoring Network	-	74,432
15.981 Water Use and Data Research	-	77,532
<b>US Geological Survey Total</b>		<b>\$ 1,034 \$ 2,528,189</b>
<b>Miscellaneous Research and Development</b>		
15.RD Miscellaneous Research and Development Colorado State University G-63747-01 Oregon State University L02312A-A Oregon State University L0233A-A Oregon State University L0246A-A Oregon State University L0248A-A Otak, Inc. 33172.031 Otak, Inc. 33172-025 PG Environmental, LLC 50002/001 - TO 8 PG Environmental, LLC BLM 50002/001 TO 6 PG Environmental, LLC BLM 50002/001 TO 7	\$ 627,771 - - - - - - - - - -	\$ 1,722,323 5,516 22,567 1,160,463 200,750 103,967 29,885 10,323 82,877 291,680 172,352

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

<u>Research and Development Cluster</u>	Provided to Subrecipients	Total Federal Expenditures
Portland State University 100182	-	302,157
Portland State University 100208	-	153,666
Portland State University 100209	-	84,899
Portland State University 100256	-	154,511
RRC Associates 33172.005	-	240,159
RRC Associates 33172.045	-	24,945
RRC Associates 33172-034	-	25,070
<b>Miscellaneous Research and Development Total</b>	<b>\$ 627,771</b>	<b>\$ 4,788,110</b>
<b>DEPARTMENT OF THE INTERIOR TOTAL</b>	<b>\$ 828,690</b>	<b>\$ 14,904,859</b>

<b>DEPARTMENT OF TRANSPORTATION</b> <i>Federal Aviation Administration</i>	<b>Federal Aviation Administration Total</b>
20.109 Air Transportation Centers of Excellence	\$ -
<b>Federal Highway Administration</b>	<b>\$ -</b>
20.200 Highway Research and Development Program	\$ 430,583
Battelle Memorial Institute 864930	-
California Department of Transportation 65A0770	-
California Department of Transportation 65A0772	-
Minnesota Department of Transportation 1044527	1,363
Minnesota Department of Transportation 1047786	11,594
Minnesota Department of Transportation 1048127	-
Minnesota Department of Transportation 1051718	-
Nevada Department of Transportation P701-18-803 TASK 01	-
Nevada Department of Transportation P701-18-803 TASK 03	-
Nevada Department of Transportation P701-18-803 TASK 06	-
Nevada Department of Transportation P701-18-803 TASK 07	-
Washington State Department of Transportation T6737 TASK 14	-
Washington State Department of Transportation T6737 TASK ORDER 15	-
<b>Federal Aviation Administration Total</b>	<b>\$ 430,583</b>
<b>DEPARTMENT OF THE INTERIOR TOTAL</b>	<b>\$ 828,690</b>
<b>DEPARTMENT OF THE INTERIOR TOTAL</b>	<b>\$ 14,904,859</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2023

<u>Research and Development Cluster</u>	Provided to Subrecipients	Total Federal Expenditures
20.205 Highway Planning and Construction	-	1,527,668
Iowa Department of Transportation TPF-5(435)	-	8,521
State of Wyoming RS06219	-	31,953
Vermont Agency of Transportation GR1477	-	(3)
20.215 Highway Training and Education	-	18,288
Battelle Memorial Institute US001-0000804612 LINE 1	-	1,407
Battelle Memorial Institute US001-0000806715	-	2,171
<b>Federal Highway Administration Total</b>	<b>\$ 443,540</b>	<b>\$ 2,850,040</b>
<b>National Highway Traffic Safety Administration</b>		
20.600 State and Community Highway Safety	-	-
National Academies of Science BTS-15 UNIT 913 SUB0001557	20,538	92,120
Washington Traffic Safety Commission 2022-AG-4547	-	36,103
20.616 National Priority Safety Programs	-	-
Washington Traffic Safety Commission 2023-VENDOR CONTRACT-4869	-	114,460
Washington Traffic Safety Commission 2023-VENDOR CONTRACT-4926	-	78,648
Washington Traffic Safety Commission FY21-#4350 2022-SUBGRANTS-4504	-	144
<b>National Highway Traffic Safety Administration Total</b>	<b>\$ 20,538</b>	<b>\$ 321,475</b>
<b>Office of the Secretary</b>		
20.701 University Transportation Centers Program	530,191	1,466,083
<b>Office of the Secretary Total</b>	<b>\$ 530,191</b>	<b>\$ 1,466,083</b>
<b>DEPARTMENT OF TRANSPORTATION TOTAL</b>		
	<b>\$ 994,269</b>	<b>\$ 4,638,680</b>
<b>DEPARTMENT OF VETERANS AFFAIRS</b>		
<b>VA Health Administration Center</b>		
64.054 Research and Development	-	1,059,319
<b>VA Health Administration Center Total</b>	<b>\$ -</b>	<b>\$ 1,059,319</b>
<b>DEPARTMENT OF VETERANS AFFAIRS TOTAL</b>		
	<b>\$ -</b>	<b>\$ 1,059,319</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

<u>Research and Development Cluster</u>	Provided to Subrecipients	Total Federal Expenditures
<b>ENVIRONMENTAL PROTECTION AGENCY</b>		
66.202    Congressionally Mandated Projects	-	-
Idaho Department of Environmental Quality    S574	-	19,103
Idaho Department of Environmental Quality    S613	-	15,629
66.454    Water Quality Management Planning	-	-
Clark Fork Coalition	-	14,178
66.461    Regional Wetland Program Development Grants	-	55,765
66.708    Pollution Prevention Grants Program	-	246,652
66.716    Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	-	26,900
66.808    Solid Waste Management Assistance Grants	-	49,743
66.962    Geographic Programs - Columbia River Basin Restoration (CRBR) Program	10,712	41,225
	<b>10,712</b>	<b>469,195</b>
	<b>\$ 10,712</b>	<b>\$ 469,195</b>
<b>ENVIRONMENTAL PROTECTION AGENCY TOTAL</b>		
	<b>\$ -</b>	<b>\$ 279,351</b>
<b>FEDERAL COMMUNICATIONS COMMISSION</b>		
32.006    COVID-19 COVID-19 Telehealth Program	-	-
	<b>\$ -</b>	<b>\$ 279,351</b>
<b>FEDERAL COMMUNICATIONS COMMISSION TOTAL</b>		
	<b>\$ -</b>	<b>\$ 14,122</b>
<b>GENERAL SERVICES ADMINISTRATION</b>		
39.003    Donation of Federal Surplus Personal Property	-	-
	<b>\$ -</b>	<b>\$ 14,122</b>
<b>GENERAL SERVICES ADMINISTRATION TOTAL</b>		
	<b>\$ -</b>	<b>\$ 14,122</b>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>		
45.312    National Leadership Grants	-	22,536
45.313    Laura Bush 21st Century Librarian Program	-	350,014
Drexel University    950022-P   PO: U0241139	-	12,000
	<b>\$ -</b>	<b>\$ 384,550</b>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES TOTAL</b>		

The accompanying notes are an integral part of this schedule.



**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

<u>Research and Development Cluster</u>	<u>Provided to</u>	<u>Total Federal</u>
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>	<u>Subrecipients</u>	<u>Expenditures</u>
43.001 Science	\$ 1,729,524	\$ 6,934,291
Association of Universities for Research in Astronomy	-	14,540
Astrophysical Research Consortium SSP538	-	68,420
Bowling Green State University 10010205-UMT	-	29,520
California Institute of Technology 1649019	-	10,378
Central Washington University 22248100YR1	-	46,621
Georgia Institute of Technology AWD-000545-G1	-	1,482
Johns Hopkins University 174558	-	50,365
Lockheed Martin Corporation 4105763209	-	51,401
Lockheed Martin Corporation 8100002702	-	263,807
Predictive Science, Inc.	-	57,945
Regents of the University of Idaho S03575-01/80NSSC21K1976	-	9,270
Resilient Computing, LLC	-	1,442
Resonon, Inc.	-	3,870
Smithsonian Astrophysical Observatory G02-23076X	-	41,528
Smithsonian Astrophysical Observatory G02-23078X	-	42,981
Smithsonian Astrophysical Observatory SV0-09023	-	43,619
Smithsonian Astrophysical Observatory SV9-89001	-	208,087
Space Telescope Science Institute HSAT-GO-16843.001-A	-	13,790
Space Telescope Science Institute HST-GO-15607.001.A	-	(5,203)
Stottler Henke Associates, Inc.	-	7,596
Sustainable Bioproducts	-	(6,748)
Trustees of Dartmouth College R1060	-	232,350
Trustees of Dartmouth College R1148	-	(1,507)
University Corporation for Atmospheric Research SUBAWD002878	-	(35)
University of California, Berkeley 00011060	-	39,142
University of Colorado Denver PO1001469105/1560348	-	61,067

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

**Research and Development Cluster**

	Provided to Subrecipients	Total Federal Expenditures
University of Connecticut 163488758	-	61,484
University of Maryland 104698-Z6398202	-	62
University of Maryland 3TB432	-	8,469
University of Massachusetts 20-010961 A	-	26,928
University of Minnesota A007438701	-	1,137
University of Tennessee A21-0751-S001	-	3,037
University of Texas at Dallas 2109011	-	24,729
University of Wisconsin 0000002798	-	44,866
43.008 Office of Stem Engagement (OSTEM)	39,402	1,754,507
Space Telescope Science Institute HST-GO-16661.001-A	-	63,999
43.012 Space Technology	27,502	76,055
	<b>Total</b>	<b>\$ 1,796,428 \$ 10,285,292</b>

***Miscellaneous Research and Development***

43.RD Miscellaneous Research and Development	-	\$ 16,419
California Institute of Technology 1422120	-	103,066
Science Systems and Applications, Inc. 22120.22.001	-	40,261
	<b>Miscellaneous Research and Development Total</b>	<b>\$ 159,746</b>

**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL \$ 1,796,428 \$ 10,445,038**

**NATIONAL ENDOWMENT FOR THE HUMANITIES**

45.149 Promotion of the Humanities Division of Preservation and Access	-	\$ 9,441
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**NATIONAL ENDOWMENT FOR THE HUMANITIES TOTAL \$ - \$ 9,441**

**NATIONAL SCIENCE FOUNDATION**

47.041 Engineering	15,938	\$ 3,401,963
Cornell University 143622-21765	-	15,578
Regents of the University of Michigan SUBK00011355	-	49,480
University of Washington UWSCI3225    PO# BPO60527	-	187,106

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

**Research and Development Cluster**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
47.049 Mathematical and Physical Sciences	5,242,128	10,677,618
Occidental College OXY-CURM0063	-	4,998
Oregon State University S2270B-1	-	66,220
47.050 Geosciences	45,424	2,472,488
University of Colorado 1555338-PO 1000856931	-	1,785
University of Hawaii at Manoa MA 1391	-	30,398
University of Hawaii at Manoa MA1588	-	3,656
47.070 Computer and Information Science and Engineering	6,356	645,386
47.074 Biological Sciences	271,975	6,822,925
Cary Institute of Ecosystem Studies 3340-200201873	-	22,887
Cary Institute of Ecosystem Studies 3540/200202135	-	5,772
Cornell University 145157-21991	-	81,712
Wellesley College Award #2135851	-	99,085
47.075 Social, Behavioral, and Economic Sciences	136,413	380,669
47.076 COVID-19 STEM Education (formerly Education and Human Resources)	2,118	2,119
STEM Education (formerly Education and Human Resources)	335,905	2,952,966
Cary Institute of Ecosystem Studies 3519/200202110	-	19,110
Chief Dull Knife College	-	1,454
Concord Consortium 354.21.03	-	52,634
Salish Kootenai College CRIRE-MSU-22-1	-	2,738
Salish Kootenai College HRD 1826637	-	36,959
Salish Kootenai College SKC-19-UOM-003	-	1,891
Teachers Development Group 206002-E	-	37,706
University of California, Berkeley 00010785	-	65,711
University of North Dakota 27290-S2	-	61,922
Utah State University 204008-793	-	27,770
Washington State University 131202 G004100	-	7,378
Washington State University 131202-SPC001720	-	10,726
Washington State University 140262-SPC003495	-	6,203

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2023

**Research and Development Cluster**

		Provided to Subrecipients	Total Federal Expenditures
47.078	Polar Programs	45,876	829,879
47.079	Office of International Science and Engineering	-	321,076
47.083	Integrative Activities	409,076	3,915,997
	Board of Regents of the University of Nebraska 25-6222-0984-050	-	197,543
	North Carolina State University 2019-3154-01	-	8,244
	South Dakota School of Mines SDSMT-MSU 18-04	-	(4,526)
	South Dakota School of Mines SDSMT-MSU-20-10	-	307,715
	University of Wyoming 1004809-UM	-	110,329
47.084	NSF Technology, Innovation, and Partnerships	-	5,836
		<b>\$ 6,511,209</b>	<b>\$ 33,949,106</b>

**NATIONAL SCIENCE FOUNDATION TOTAL**

**SMALL BUSINESS ADMINISTRATION**

59.058	Federal and State Technology Partnership Program	-	122,029
		<b>\$ -</b>	<b>\$ 122,029</b>

**SMALL BUSINESS ADMINISTRATION TOTAL**

**SOCIAL SECURITY ADMINISTRATION**

96.007	Social Security Research and Demonstration	-	-
	University of Wisconsin-Madison 0000002229	-	43,389
	University of Wisconsin-Madison 0000002337	-	24,744
	University of Wisconsin-Madison 0000002580	-	59,871
		<b>\$ -</b>	<b>\$ 128,004</b>

**SOCIAL SECURITY ADMINISTRATION TOTAL**

		<b>\$ 31,387,712</b>	<b>\$ 222,032,726</b>
		<b>\$ 719,195,002</b>	<b>\$ 5,410,573,333</b>

**RESEARCH AND DEVELOPMENT CLUSTER TOTAL**

**EXPENDITURES OF FEDERAL AWARDS TOTAL**

The accompanying notes are an integral part of this schedule.

**STATE OF MONTANA  
NOTES TO THE SEFA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Note 1. Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the state of Montana under programs of the federal government for the fiscal year ended June 30, 2023. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (referred to as the "Uniform Guidance").

Because this schedule presents only a selected portion of the operations of the state of Montana, it is not intended to, and does not present, the financial positions, change in net assets, or, where applicable, its cash flows for the fiscal year ended June 30, 2023.

Significant Accounting Policies

Expenditures shown on the SEFA are reported on the modified accrual basis of accounting, except as noted below. Under the modified accrual basis of accounting, expenditures are generally recorded in the accounting period in which the liability is incurred. However, there are some payments, such as compensated absences, that are only recorded when the payment is due.

Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

For the fiscal year 2023 SEFA, the state of Montana no longer recognizes expenditures for encumbered obligations and unemployment compensation overpayments deemed uncollectible. The prior-period adjustments resulting from the changes were impracticable to determine.

The Montana University System uses full accrual accounting to report federal expenditure activity, such as in the Student Financial Assistance, Education Stabilization Fund, and Research and Development programs. Certain other programs of the state, such as the Section 8 Voucher and Section 8 Project-Based programs, also use the full accrual basis of accounting. Under the full accrual basis of accounting, expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Loan and Loan Guarantee Programs (Note 2), Federal Excess Personal Property (Note 7), the Department of Defense Firefighting Property (Note 8), and the Unemployment Compensation Program (Note 9) are presented using the basis of accounting described in each note.

The state of Montana did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Coronavirus Relief Programs

The state of Montana expended \$696,863,161 under the various Coronavirus relief programs in fiscal year 2023. These programs are indicated by a "COVID-19" reference in front of the federal program name on the fiscal year 2023 SEFA.

A summary of the federal programs expending COVID-19 Funding is shown below:

<b>ALN</b>	<b>Coronavirus Relief Programs</b>	<b>FY 2023 Expenditures</b>
10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10,622
10.542	Pandemic EBT Food Benefits	26,735,528
10.553	School Breakfast Program	267,841
10.555	National School Lunch Program	6,090,985
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	1,425,886
10.567	Food Distribution Program on Indian Reservations	321,846
10.579	Child Nutrition Discretionary Grants Limited Availability	130,792
10.645	Farm to School State Formula Grant	71,422
10.649	Pandemic EBT Administrative Costs	627,152
11.307	Economic Adjustment Assistance	1,206,369
11.440	Environmental Sciences, Applications, Data, and Education	2,256
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	2,026,241
14.231	Emergency Solutions Grant Program	1,025,949
14.239	Home Investment Partnerships Program	85,236
14.241	Housing Opportunities for Persons with AIDS	44,763
14.871	Section 8 Housing Choice Vouchers	501,789
15.808	U.S. Geological Survey Research and Data Collection	88,302
16.034	Coronavirus Emergency Supplemental Funding Program	261,471
17.225	Unemployment Insurance	(173,562)
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	13
20.106	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	595,206
20.205	Highway Planning and Construction	51,544,956
20.509	Formula Grants for Rural Areas and Tribal Transit Program	2,795,780
20.526	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	888,017
21.023	Emergency Rental Assistance Program	73,242,431
21.026	Homeowner Assistance Fund	2,849,673
21.027	Coronavirus State and Local Fiscal Recovery Funds	128,226,765
32.006	COVID-19 Telehealth Program	279,351
45.025	Promotion of the Arts Partnership Agreements	365,693
45.161	Promotion of the Humanities Research	94,125
45.310	Grants to States	1,078,271

47.076	STEM Education (formerly Education and Human Resources)	2,119
59.037	Small Business Development Centers	112,233
64.015	Veterans State Nursing Home Care	122,928
84.007	Federal Supplemental Educational Opportunity Grants	145,731
84.027X	Special Education - Grants to States (IDEA, Part B)	4,928,584
84.173X	Special Education - Preschool Grants (IDEA, Preschool)	360,447
84.181	Special Education-Grants for Infants and Families	654,326
84.425C	Governor's Emergency Education Relief Fund	1,273,802
84.425D	Elementary and Secondary School Emergency Relief Fund	61,245,873
84.425E	HEERF Student Aid	2,844,193
84.425F	HEERF Institutional Aid	15,996,794
84.425L	HEERF Minority Serving Institutions (MSIs)	67,222
84.425M	HEERF Strengthening Institutions Program (SIP)	469,321
84.425R	Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS)	1,871,610
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	111,247,895
84.425V	American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP EANS)	59,079
84.425W	American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	579,210
90.404	2018 HAVA Election Security Grants	110
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	72,822
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	50,294
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	606,842
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	768,802
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	107,784
93.052	National Family Caregiver Support, Title III, Part E	157,801
93.069	Public Health Emergency Preparedness	1,143
93.090	Guardianship Assistance	246,763
93.155	Rural Health Research Centers	2,196,198
93.185	Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects	21,942
93.268	Immunization Cooperative Agreements	8,542,579
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	191,131
93.310	Trans-NIH Research Support	91,969
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	15,919,964
93.336	Behavioral Risk Factor Surveillance System	11,479
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	1,956,542
93.369	ACL Independent Living State Grants	55,276
93.391	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	7,566,818

93.421	Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	59,117
93.497	Family Violence Prevention and Services/ Sexual Assault/Rape Crisis Services and Supports	188
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	20,972
93.558	Temporary Assistance for Needy Families	2,585,718
93.568	Low-Income Home Energy Assistance	5,004,339
93.569	Community Services Block Grant	1,237,769
93.575	Child Care and Development Block Grant	46,372,660
93.586	State Court Improvement Program	49,108
93.590	Community-Based Child Abuse Prevention Grants	439
93.639	Section 9813: State Planning Grants for Qualifying Community-Based Mobile Crisis Intervention Services	276,390
93.658	Foster Care Title IV-E	331,359
93.659	Adoption Assistance	1,218,745
93.665	Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	492,870
93.669	Child Abuse and Neglect State Grants	50,848
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	608,472
93.747	Elder Abuse Prevention Interventions Program	930,152
93.767	Children's Health Insurance Program	4,630,100
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	2,596
93.778	Medical Assistance Program	72,705,620
93.859	Biomedical Research and Research Training	639,248
93.870	Maternal, Infant and Early Childhood Home Visiting Grant	152,171
93.958	Block Grants for Community Mental Health Services	2,818,311
93.959	Block Grants for Prevention and Treatment of Substance Abuse	3,873,099
93.967	CDC's Collaboration with Academia to Strengthen Public Health	23,788
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants	927,757
94.003	AmeriCorps State Commissions Support Grant	73,890
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	8,518,640
<b>Total Coronavirus Relief Program Funding</b>		<b>\$ 696,863,161</b>

#### Families First Coronavirus Response Act

Section 6008 of the Families First Coronavirus Response Act provided a temporary percentage point increase to the state's Federal Medical Assistance Percentage (FMAP) under section 1905(b) of the Social Security Act. In fiscal year 2023, the foster care, guardianship, and adoption programs received a 6.2 percent enhancement rate, increasing the federal share from 64.90 percent to 71.10 percent. In the Medicaid and CHIP programs, enhanced FMAP rates of 5.0 percent and 3.5 percent, respectively, resulted in an additional \$72,705,620 and \$4,630,100, respectively.



Food Distribution Programs

The amount reported for Food Distribution programs (ALN 10.555, 10.565, 10.567, 10.569, and 93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the state to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. Montana also distributes food commodities to other states in the western region of the United States. During fiscal year 2023, Montana distributed \$608,804 of food commodities under ALN 10.567 to other states.

The state of Montana distributed \$10,929,649 in commodities during fiscal year 2023. The June 30, 2023, value of commodities stored at the state’s warehouse is \$7,232,198, for which the state is liable in the event of loss. The state has insurance to cover this liability.

Minority Health and Health Disparities Research

The amount reported for the Minority Health and Health Disparities Research Program (ALN 93.307) includes endowment funds of \$9,375,000, along with interest earned on the endowment. The entire endowment amount is reported as expended each year, as the funds are restricted for the life of the endowment.

Immunization Cooperative Agreements

The amount reported for the Immunization Cooperative Agreements (ALN 93.268) includes the dollar value of vaccine doses received during fiscal year 2023. The state used the Centers for Disease Control’s price list to calculate the value of doses received. During fiscal year 2023, Montana received 166,241 vaccine doses valued at \$11,151,657.

**Note 2. Loan and Loan Guarantee Programs**

The following loan and loan guarantee programs are reported on the SEFA at their July 1, 2022, beginning loan balance plus the value of new loans made or received, plus any interest subsidy, cash, or administrative cost allowance received during fiscal year 2023:

ALN	Federal Loan and Loan Guarantee Program State Revolving Loans	FY 2023 Ending Balances
66.458	Clean Water State Revolving Fund	\$ 284,137,703
66.468	Drinking Water State Revolving Fund	<u>185,994,896</u>
	<b>Total State Revolving Loan Programs</b>	<b><u>\$ 470,132,599</u></b>

ALN	Federal Loan and Loan Guarantee Program		FY 2023 Ending Balances
	Student Financial Assistance University Loans		
84.038	Federal Perkins Loan Program – Federal Capital Contributions	\$	10,513,956
93.264	Nurse Faculty Loan Program (NFLP)		610
93.342	Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students		248,395
93.364	Nursing Student Loans		<u>2,622,827</u>
	<b>Total Student Financial Assistance Programs</b>	<b>\$</b>	<b><u>13,385,788</u></b>

#### Perkins Loan Programs

Under the Perkins Loan Extension Act of 2015, universities participating in this program are no longer permitted to make Perkins Loan disbursements after June 30, 2018. Institutions may choose to continue servicing their existing Perkins Loans until such time the institution's outstanding loans have been paid in full or otherwise retired. Both Montana State University and the University of Montana have chosen to continue to service their current loans.

#### Economic Adjustment Assistance Program

The Economic Adjustment Assistance Program (ALN 11.307) includes the two revolving loan programs listed below.

During fiscal year 2023, however, the U.S. Department of Commerce, Economic Development Administration, pursuant to its authority under the Public Works and Economic Development Act of 1965 (45 U.S.C. §3121 et seq.), released the State of Montana, Department of Commerce from the federal government's interest in these two loan programs.

The requirements of the release require the loan balances to be included in the SEFA for the year of the release and audited as required pursuant to 2 CFR part 200, subpart F. The calculations for each of these loan programs are as follows:

Award Number	05-19-02445	05-79-73005
State Award Name	EDA Revolving Loan	EDA Revolving Loan
Federal Grantor	US Department of Commerce	US Department of Commerce
Federal Program Name	Title IX SSED Revolving Loan Fund	Economic Adjustment Assistance
Ending Loan Balance	\$ 203,237	\$ -
Ending Cash and Investments	268,706	4,557,832
Admin Paid from RLF Income	-	886
Unpaid Principal Written Off	-	<u>1,885,659</u>
	\$ 471,943	\$ 6,444,377
Federal Percentage	74%	50%
Federal Share of Loan	<u>\$ 349,238</u>	<u>\$ 3,222,189</u>

**Note 3. Type A Federal Programs**

The state of Montana issues a biennial single audit report. The Montana Single Audit report for the two fiscal years ended June 30, 2023, is anticipated to be issued by July 31, 2024.

The Type A program threshold will be determined based on actual expenditures incurred during the two fiscal years ended June 30, 2023.

**Note 4. Assistance Listing Number**

The Assistance Listing Number (formerly CFDA number) is a unique number assigned to identify a federal program. It is a five-digit number, for which the first two digits represent the federal awarding agency and the second three digits represent the program. Certain programs may contain an additional alpha-character at the end of the five-digit number to indicate a subcategory of the federal program. Programs with an unknown Assistance Listing Number were assigned a number in the format \*\*.UXX or \*\*.RD. Also refer to Note 12.

**Note 5. Program Clusters**

As defined by 2 CFR section 200.1, a cluster of programs is a grouping of closely related programs that share common compliance requirements. Except for the Student Financial Assistance Cluster, clusters of programs are presented on the SEFA either within their respective federal agency (for non-research and development programs) or by federal agency and major subdivision for research and development programs.

Student Financial Assistance Cluster

Amounts reported for the Student Financial Assistance Cluster include programs administered by both the Department of Education and the Department of Health and Human Services. These clusters are shown separately within their respective federal agencies on the SEFA. The combined Student Financial Assistance Cluster includes the following programs:

ALN	Student Financial Assistance Cluster	FY 2023 Expenditures
84.007	Federal Supplemental Educational Opportunity Grants	\$ 2,311,401
84.033	Federal Work-Study Program	1,693,308
84.038	Federal Perkins Loan Program – Federal Capital Contributions	15,094,729
84.063	Federal Pell Grant Program	35,662,455
84.268	Federal Direct Student Loans	140,253,388
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	3,772
93.264	Nurse Faculty Loan Program (NFLP)	1,895

93.342	Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students	281,088
93.364	Nursing Student Loans	2,852,839
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	412,900
<b>Total Student Financial Assistance Cluster</b>		<b>\$ 198,567,775</b>

#### **Note 6. Research and Development Grants**

Research and Development includes all research activities, both basic and applied, and all development activities that are performed by a non-federal entity. Research is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. The term research also includes activities involving the training of individuals in research techniques, where such activities utilize the same facilities as other research and development activities, and where such activities are not included in the instruction function.

Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. Federal awards that meet the research and development criteria are listed in the Research and Development Cluster.

#### **Note 7. Federal Excess Personal Property**

The state of Montana receives Federal Excess Personal Property (FEPP). The title to this property remains with the federal agency. In accordance with General Services Administration guidelines, the amounts are presented at a fair market value at the time of receipt by the state, which is determined to be 23.34% of the original acquisition cost of the property.

The following is a list of the FEPP received by the state of Montana during fiscal year 2023. The negative amount reflects property sold (title transferred at public sale) or other disposition.

ALN	Program	FY 23 Net Received (Disbursed)	FY 23 Ending Inventory
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	\$ 14,122	\$ 144,115
10.500	Cooperative Extension Service	-	3,157
10.664	Cooperative Forestry Assistance	49,150	4,340,048
10.UXX	Miscellaneous – Non-major Grants	-	46,919
15.UXX	Miscellaneous – Non-major Grants	-	3,553
39.003	Donation of Federal Surplus Personal Property	(87,702)	341,940
43.UXX	Miscellaneous – Non-major Grants	-	660,814
47.UXX	Miscellaneous – Non-major Grants	-	114,737
81.UXX	Miscellaneous – Non-major Grants	-	2,370

**Note 8. Department of Defense Firefighting Property**

The Department of Natural Resources and Conservation (DNRC) receives Department of Defense Firefighting Property (FFP). The title to this property is transferred to the DNRC. In accordance with General Services Administration guidelines, the amounts are presented at fair market value at the time of receipt by DNRC, which is determined to be 23.34% of the original acquisition cost of the property. The following is the value of FFP received by the state of Montana during fiscal year 2023:

ALN	Program	FY 23 Amount	FY 23 Ending Inventory
12.UXX	Miscellaneous – Non-major Grants	\$ (60,498)	\$ 3,417,941

**Note 9. Unemployment Compensation Program**

The unemployment compensation system is a federal-state partnership, in which state unemployment tax revenues and governmental, tribal, and nonprofit reimbursements in lieu of state taxes must be deposited to the Unemployment Trust Fund in the US Treasury. These commingled funds are primarily used to pay benefits under federally approved state unemployment law. Because the partnership imposes federal compliance on the state’s commingled activity, the schedule of expenditures of federal awards presents the commingled activity for the Unemployment Insurance Program (ALN 17.225), regardless of the source of the funds.

The following schedule provides the state and federal portions of the total expenditures reported for the Unemployment Insurance program.

Source	Expenditures
State Expenditures	\$ 101,700,722
Federal Expenditures	15,611,618
<b>Total</b>	<b>\$ 117,312,340</b>

**Note 10. Subgrants to State Agencies**

Federal assistance transferred from one Montana state agency to another Montana state agency is shown only once on the SEFA.

Federal assistance received from non-state and non-federal sources are treated as pass-through grants to the state. These pass-through awards are listed below the direct federal awards reported on the SEFA. Pass-through grant numbers are included for those awards that were assigned an identifying number.

**Note 11. Subgrants to Non-State Agencies**

Federal assistance transferred from a Montana state agency or university to a non-state agency, such as a city, county, tribal government, or nonprofit organization, is identified in the Amount to Subrecipients column shown in the SEFA. These amounts are included in the expenditure totals shown on the report.

The Amounts to Subrecipients includes federal assistance transferred from a Montana state agency or university that was originally received as a subgrant from another Montana state agency or university. These amounts are not included in the expenditure totals shown on the report, since the original award is only shown once on the SEFA, as described in Note 10 above.

A summary of amounts that were subgranted to a non-state agency, such as a city, county, tribal government, or nonprofit organization, which were made from awards originally received from another Montana state agency or university, is shown below:

<b>ALN</b>	<b>Non-Research and Development Program</b>	<b>Provided to Subrecipients</b>
21.023	Emergency Rental Assistance Program	\$ 1,480,062
21.027	Coronavirus State and Local Fiscal Recovery Funds	76,625,361
84.048	Career and Technical Education -- Basic Grants to States	2,992,905
93.391	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	3,586,455
93.586	State Court Improvement Program	19,500
93.667	Social Services Block Grant	143,106
93.959	Block Grants for Prevention and Treatment of Substance Abuse	36,664
	<b>Total Non-Research and Development</b>	<b>\$ 84,884,053</b>

<b>ALN</b>	<b>Research and Development Program</b>	<b>Provided to Subrecipients</b>
93.859	Biomedical Research and Research Training	\$ 32,436
	<b>Total Research and Development</b>	<b>\$ 32,436</b>

**Note 12. Federal Awards Not Having an Assistance Listing Number**

The following schedules contain contract or grant numbers associated with awards that did not have an Assistance Listing Number and were assigned either a \*\*.UXX or \*\*.RD number in the SEFA. Not all \*\*.UXX or \*\*.RD awards reported on the SEFA had a grant or contract number. Also refer to Note 4.

**Schedule of Unknown Federal Assistance Listing Numbers**

	<b>Contract or Grant Number</b>	<b>Amount</b>
<b>Department of Agriculture</b>		
10.U01	17-FI-11015200-003	\$ 820
10.U02	18-FI-11011600-026	4,629
10.U06	19-CS-11015600-018	3,577
10.U07	19-FP-11010200-034	6,482
10.U08	19-FP-11011000-033	4,061
10.U09	20-FP-11011100-035	27,570
10.U10	22-CS-11015600-032	50,656
10.U11	22-PA-11011500-027	85,000
10.U12	23-FP-11015200-001	11,309
		<u>194,104</u>
<b>Department of Defense</b>		
12.U04	22-155P	19,587
12.U05	22-162P	288,658
12.U06	22-171P	1,602,155
12.U07	W9128F20D0025	342,558
12.U08	DNRC FFP	(60,498)
12.U09	4014-002, PO#2022-GS-007	46,648
12.U10	4014-003, PO#2022-GS-011	122,255
12.U11	23-126P	919,911
12.U12	23-143P	105,590
12.U13	4014-004, PO2022-GS-015	126,427
12.U14	4014-005, PO 2022-GS-021	25,127
12.U15	4014-006 2022-GS-022	49,909
12.U16	4014-006, PO 2023-GS-002	47,355
12.U17	4014-006, PO2022-GS-027	50,286
12.U18	4014-006, PO2023-GS-001	15,505
12.U19	GS-00F-131GA	53,761
12.U20	UWSC13886	1,911
12.U21	W9128F20D0068 / W9128F22F0270	1,711,942
		<u>5,469,087</u>
<b>Department of Education</b>		
84.U01	91990020C0060	104,667
		<u>104,667</u>
<b>Department of Energy</b>		
81.U02	22-074G	70,555
81.U03	0201.22.073815	36,636
81.U04	IAA NO. 87723	6,000
81.U05	23-025G	83,776
		<u>196,967</u>

*Schedule of Unknown Federal Assistance Listing Numbers*

<b>Contract or Grant Number</b>		<b>Amount</b>
<b>Department of Health and Human Services</b>		
93.U01	HHSF223201810079C	187,545
		<u>187,545</u>
<b>Department of the Interior</b>		
15.U01	140F0621C0037	149,274
15.U04	14L0621F0367	32,160
15.U05	1800-1444-1	19,220
15.U06	66972	285,055
		<u>485,709</u>
<b>Department of the Treasury</b>		
21.U01		7,771
		<u>7,771</u>
<b>Peace Corps</b>		
45.U01	14D0421P0115	9,113
		<u>9,113</u>
<b>Unknown Federal Agency</b>		
99.U01	SJI-20-T-050	50,000
		<u>50,000</u>



**Schedule of Unknown Federal Assistance Listing Numbers  
Research and Development Awards**

	Contract or Grant Number	Amount
<b>Department of Agriculture</b>		
10.RD	18-CS-11011800-017	\$ 3,926
10.RD	19-CS-11011100-031	4,076
10.RD	20-CS-11011100-025	2,409
10.RD	21-PA-11015600-026	3,009
10.RD	22-CS-11132400-283	8,597
10.RD	AG-3151-C-17-0012	2,211
10.RD	MTFO040722_MS	4,693
		<u>28,921</u>
<b>Department of Commerce</b>		
11.RD	ED19HDQ0200091	127,004
		<u>127,004</u>
<b>Department of Defense</b>		
12.RD	169061	279,936
12.RD	2022-ARL-TRACA-PP-UMT-00	607,384
12.RD	313-0873	(2,435)
12.RD	ARM212-MSU/ PO# EP0166321	(46)
12.RD	ASSIGN AGREEMENT DATED 11/29/2	8,434
12.RD	FA701420C0045	405,100
12.RD	FA701420C0048	323,727
12.RD	FA701421C0041	107
12.RD	FA701421C0042	335,493
12.RD	M67854-18-3-1330	1,633,834
12.RD	MT23-019	12,449
12.RD	N62473-19-2-0005	190,671
12.RD	Order No.: W81XWH-22-90014	649,438
12.RD	RS3-33-039	61,102
12.RD	S2-1025-19-01	179
12.RD	SUBK-MSU-VDHWFS2-01-012720	4,910
12.RD	W911KB-19-2-1500	(2,219)
12.RD	W9126G-19-2-0035	22,500
12.RD	W9126G-20-2-0016	184,037
12.RD	W9128F20F0402	3,700
12.RD	W9128F20P0030	34
12.RD	W9128F20WD0068/W9128F23F0093	10,374
12.RD	W9128F21F0251	536,992
12.RD	W9128F22F0123	103,524
12.RD	W912HZ-18-2-0010	116
		<u>5,369,341</u>

**Schedule of Unknown Federal Assistance Listing Numbers  
Research and Development Awards**

	Contract or Grant Number	Amount
<b>Department of Energy</b>		
81.RD	20268	9,245
81.RD	629744	26,715
81.RD	2183707	75,030
81.RD	2271165	19,563
81.RD	2426749	53,031
81.RD	LMS7547	57,976
81.RD	P010259575	15,202
81.RD	P010259575 (TASK 2)	82,509
		<u>339,271</u>
<b>Department of Health and Human Services</b>		
93.RD	7273 POPS V	26
93.RD	75N3019C00045 Mod #4	397,185
93.RD	75N93019C00045	334,606
93.RD	75N93019C00045 COVID	273,541
93.RD	75N93019C00045 Line item 12	114,688
93.RD	75N93019C00045 MOD#8	562,548
93.RD	75N93019C0045	341,382
93.RD	75N93020C00039	2,340,375
93.RD	GENFD0002049784	109,342
93.RD	GENFD0002257612	64,957
93.RD	HHSN272201400050C	595,644
93.RD	HHSN272201800048C	2,937,740
93.RD	HHSN272201800048C MOD 11	134,622
		<u>8,206,656</u>
<b>Department of Homeland Security</b>		
97.RD	70RSAT19TPIA00001 / CPO #0002	167,864
97.RD	70RSAT19TPIA00001 / CPO#0001	2,155,874
97.RD	70RSAT19TPIA00001 / CPO#0002	973,137
97.RD	70RSAT19TPIA00001 / CPO#0003	530,605
97.RD	70RSAT19TPIA00001 / CPO#0004	448,701
97.RD	70RSAT22CB0000005	519,321
		<u>4,795,502</u>
<b>Department of Justice</b>		
16.RD	0977-2021-0915	58,058
		<u>58,058</u>
<b>Department of the Interior</b>		
15.RD	33172.005	240,159
15.RD	33172.031	29,885

**Schedule of Unknown Federal Assistance Listing Numbers**  
**Research and Development Awards**

	Contract or Grant Number	Amount
15.RD	33172.045	24,945
15.RD	100182	302,157
15.RD	100208	153,666
15.RD	100209	84,899
15.RD	100256	154,511
15.RD	140L0619F0248	28,384
15.RD	140L0619F0249	57,375
15.RD	140L0619F0291	866
15.RD	140L0619F0302	57,458
15.RD	140L0619F0342	22,315
15.RD	140L0619F0360	2,218
15.RD	140L0619F0361	46,661
15.RD	140L0619F0378	147,408
15.RD	140L0620F0364	2,398
15.RD	140L0620F0399	172,057
15.RD	140L0620F0500	18,013
15.RD	140L0620F0505	48,335
15.RD	140L0620F0510	58,071
15.RD	140L0620F0519	88,728
15.RD	140L0621F0361	279,164
15.RD	140L0621F0398	120,504
15.RD	140L0621F0402	163,141
15.RD	140L0621F0449	346
15.RD	140L0621F0458	1,175
15.RD	140L0621F0499	138,270
15.RD	140L0622F0262	47,828
15.RD	140L0622F0280	16,990
15.RD	140L0622F0284	121,899
15.RD	140L0622F0285	30,274
15.RD	140L0622F0288	1,221
15.RD	140L0622F0383	1,832
15.RD	140L619F0285	12,932
15.RD	14L0620F0532	6,591
15.RD	14L0621F0513	3,532
15.RD	14L0621F0525	326
15.RD	14L0621F0527	326
15.RD	33172-025	10,323
15.RD	33172-034	25,070
15.RD	50002/001 - TO 8	82,877
15.RD	BLM 50002/001 TO 6	291,680
15.RD	BLM 50002/001 TO 7	172,352
15.RD	G19AC00047	14,751

**Schedule of Unknown Federal Assistance Listing Numbers**  
**Research and Development Awards**

	<b>Contract or Grant Number</b>	<b>Amount</b>
15.RD	G-63747-01	5,516
15.RD	L02312A-A	22,567
15.RD	L0233A-A	1,160,463
15.RD	L0246A-A	200,750
15.RD	L0248A-A	103,967
15.RD		<u>10,934</u>
		4,788,110
 <b>National Aeronautics and Space Administration</b>		
43.RD	4200813162	16,419
43.RD	1422120	103,066
43.RD	22120.22.001	<u>40,261</u>
		159,746

# FY22 FINANCIAL SECTION



# FY22 FINANCIAL SECTION

## TABLE OF CONTENTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with *Government  
Auditing Standards* ..... B-1

Independent Auditor’s Report ..... B-5

Management Discussion and Analysis ..... B-9

Basic Financial Statements ..... B-20

Required Supplementary Information ..... B-162

Schedule of Expenditures of Federal Awards..... B-190





Angus Maciver, Legislative Auditor  
Kenneth E. Varns, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
William Soller  
Miki Cestnik

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the state of Montana's Basic Financial Statements, and have issued our report thereon March 22, 2023. Our report includes a reference to other auditors who audited the financial statements of the Montana State University component units, the University of Montana component units, and the Montana Reinsurance Association component unit as described in our report on the state of Montana's financial statements. The financial statements of the Montana State University component units and the University of Montana component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance associated with the university component units or that are reported on separately by those auditors who audited the financial statements of the Montana Reinsurance Association.

*Report on Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the state of Montana's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of the state of Montana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described below to be material weaknesses:

- ◆ Department of Administration's (DOA) internal controls were not sufficient to ensure compliance with state law requiring uniform accounting across state agencies, all necessary transactions are recorded before the books close at fiscal year-end. DOA recorded pension expense entries on behalf of all state agencies. When making the entries at fiscal year-end 2022, the department split activity across Department of Correction's funds using an inaccurate analysis of payment sources. At the time of the analysis, Department of Corrections made adjusting entries to their financial activity that skewed the analysis. There was no process to review whether the activity recorded at that time was an accurate representation of the activity for the year. This resulted in multiple misstatements, ranging from \$2.4 million to \$24.9 million, on the accounting records when the books closed, impacting the Business-Type Activities opinion unit. This control deficiency is discussed in finding 2023-7.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies.

- ◆ Department of Revenue's (DOR) internal controls related to timely recording of received wires in the state's accounting system should be strengthened. DOA receives wires from US Bank daily. State accounting policy requires agencies to run reports out of the state's accounting system in order to identify wires and create accounting journals, making the funds available for expenditure. We identified eight deposits without accounting journals six days or more after receiving the wire. Without timely identification of wires received on behalf of the department, there is a risk of revenues not being recorded on SABHRS to the department's credit in the proper fiscal year. One wire crossed the fiscal year-end period in fiscal year 2022, resulting in an approximately \$5.3 million understatement of revenues. This error affected the General Fund opinion unit. This control deficiency is discussed in finding 2023-6.
- ◆ Department of Administration should obtain and review service organization control (SOC) reports for State Information Technology Services Division (SITSD) and Health Care and Benefits Division (HCBD) contracted service organizations as these organizations manage material revenue for the state of Montana. A common method to ensure a service organization is meeting its obligations related to internal control processes and procedures is to obtain an examination with results accumulated into a SOC report. HCBD relies on the contracted claims audits, but these audits are not a replacement for a SOC report. Similarly, SITSD implemented new billing software, but did not have a process in place to review their contractor's SOC reports. These deficiencies affect the Governmental Activities and the Remaining Fund Information opinion units. This control deficiency is discussed in finding 2023-8.
- ◆ Montana State University's internal controls did not detect significant errors in draft statements and notes, resulting in misstatements in the initial draft Basic Financial Statements for the state. We consider this a significant deficiency affecting the Discretely Presented Component Unit opinion unit. This control deficiency is discussed in finding 2023-9.

- ◆ Department of Corrections internal controls related to room and board expenditures should be improved to ensure accuracy and completeness of revenue in the state's accounting records. This control deficiency is discussed in finding 2023-5.
- ◆ We identified three internal control deficiencies at the Department of Labor and Industry, which combined, are a significant deficiency for the state's Basic Financial Statements. This deficiency affects the Unemployment Insurance opinion unit. This control deficiency is discussed in finding 2023-4.
- ◆ The Department of Natural Resources and Conservation's internal controls over leases receivable and deferred inflows were not sufficient to prevent, detect, and correct misstatements in the state's accounting records. This deficiency affects the Land Grant opinion unit. This control deficiency is discussed in finding 2023-3.
- ◆ The Department of Public Health and Human Services did not adjust the Schedule of Expenditures of Federal Awards (SEFA) for an error in the prior year. This control deficiency is discussed in finding 2023-11.
- ◆ The final significant deficiency is described in finding 2023-10. Internal controls at the Governor's Office were not in place to ensure grants received at one state entity and subgrantee to others were appropriately included on the face of the SEFA.

#### *Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the state of Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The identified instance of noncompliance is described below.

- ◆ The Montana Public Employees' Retirement Board administers eight defined benefit retirement plans. The Montana Constitution and state law require all retirement systems to be actuarially sound, meaning the retirement system must amortize in 30 years or less. The actuarial valuation as of June 30, 2022, indicates the Highway Patrol Officers', Public Employees', Game Wardens' and Peace Officers', and the Sheriffs' Retirement Systems are not actuarially sound as they don't amortize over 30 years or less. This compliance issue affects the Remaining Fund Information opinion unit.

#### *State of Montana's Response to Findings*

*Government Auditing Standards* requires the auditor to perform limited procedures on the state of Montana's response to the findings identified in our audit, described in findings 2023-2 through 2023-11, and addressed in the Corrective Action Plan beginning on page D-1 of this report. The responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the state of Montana's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Montana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*/s/ Cindy Jorgenson*

Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

March 22, 2023

# LEGISLATIVE AUDIT DIVISION

B-5

Angus Maciver, Legislative Auditor  
Kenneth E. Varns, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
William Soller  
Miki Cestnik

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the state of Montana's basic financial statements as follows:

- ◆ Statement of Net Position
- ◆ Statement of Activities
- ◆ Balance Sheet-Governmental Funds
- ◆ Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
- ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds
- ◆ Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- ◆ Statement of Fund Net Position-Proprietary Funds
- ◆ Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds
- ◆ Statement of Cash Flows-Proprietary Funds
- ◆ Statement of Fiduciary Net Position-Fiduciary Funds
- ◆ Statement of Changes in Fiduciary Net Position-Fiduciary Funds.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Montana State University (MSU) component units, the University of Montana (UM) component units, or the Montana Reinsurance Association

(MRA) which represent 16.78 percent, 30.46 percent, and 2.91 percent, respectively of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2022. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for the component units of UM and MSU and the MRA component unit is based solely on the reports of the other auditors.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the state of Montana and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of MSU's component units and UM's component units were not audited in accordance with *Government Auditing Standards*.

### *Emphasis of Matters*

As discussed in Note 2A with further details in Note 1M and a variety of other note disclosures, the state of Montana Implemented the Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB 87 requires the State to recognize a lease liability and an intangible right-to-use lease asset for lessee activity and a lease receivable and deferred inflow of resources for lessor activity. Our opinions are not modified with respect to this matter.

As discussed in Note 2B, MRA is a new discretely presented component unit for the state. Condensed financial statements for MRA can be found at Note 18. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the state of Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control. Accordingly, no such opinion is expressed.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the state of Montana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Pension Plan Information, the Other Postemployment Benefits Plan Information (OPEB), and the Risk Management Trend Information, and the related notes, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Montana's basic financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations *Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS***Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2023, on our consideration of the state of Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the state of Montana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Montana's internal control over financial reporting and compliance.

Respectfully submitted,

*/s/ Cindy Jorgenson*

Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

March 22, 2023



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

Management of the State of Montana (State) provides this *Management's Discussion and Analysis* of the State of Montana's basic financial statements included in the Annual Comprehensive Financial Report (ACFR). This is a narrative overview and analysis of the financial activities of the State of Montana for the fiscal year ended June 30, 2022. We encourage readers to consider this information in conjunction with the additional information that is furnished in the State's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

#### Government-wide

The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2022 by \$12.7 billion compared with \$11.0 billion at the end of fiscal year 2021, representing a 15.1% increase in net position. Component units reported net position of \$2.51 billion at the end of fiscal year 2022 compared to \$2.47 billion at the end of fiscal year 2021, representing a 1.7% increase in net position. More detail is provided in the financial statement overview below.

#### Fund Level

As of the close of fiscal year 2022, the State's governmental funds reported combined ending fund balances of \$7.0 billion compared with \$5.7 billion at fiscal year 2021. This represents a \$1.3 billion (23.3%) increase in total fund balance. Of the 2022 balance, \$2.0 billion is not in spendable form, primarily as permanent fund principal. Thus, \$5.0 billion is available for spending. The fund balance in spendable form is segregated by constraint as follows: \$1.2 billion restricted, \$1.9 billion committed, \$95.3 million assigned, and \$1.7 billion unassigned. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

The State's business-type activity funds reported net position at the close of fiscal year 2022 in the amount of \$683.6 million compared with fiscal year 2021 net position of \$566.7 million. Of the 2022 business-type activity net position, \$21.3 million was reported as net investment in capital assets. Net position of \$662.3 million was in spendable form with \$18.3 million unrestricted and \$644.0 million restricted to expenditure for a specific purpose. This represents a \$117.0 million (21.5%) increase in spendable net position from the fiscal year 2021 balance of \$545.3 million. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

#### Long-term Debt

The State's total governmental activity bonds and notes payable for governmental activities decreased by \$8.1 million, from \$171.3 million in fiscal year 2021 to \$163.2 million, a (4.7)% decrease in fiscal year 2022. Further detail relating to the State's long-term debt is provided in notes to the financial statement's Note 11.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Montana's basic financial statements. The State's basic financial statements include three components: (1) *government-wide financial statements*, (2) *fund financial statements*, and (3) *notes to the financial statements*. The report also contains additional required supplementary information, which includes budgetary schedules, pension and other post employment benefits plan information, and risk management trends. These components are described below:

#### Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the State – the *government-wide financial statements* and the *fund financial statements*. These financial statements also include the *notes to the financial statements*, which provide further detail and information related to the balances of the financial statements.

### **Government-wide Financial Statements**

The *government-wide financial statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. In other words, they follow methods that are similar to those used by most businesses, including all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements: The *Statement of Net Position* and the *Statement of Activities*, as defined below.

The *Statement of Net Position* presents all of the government's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information related to the government's net position changes during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of state activities. These three types of activities are as follows:

*Governmental Activities* – Activities mostly supported by taxes and intergovernmental revenues, including federal grants. Most services normally associated with state government fall into this category, including education (support for both K-12 public schools and higher education), general government, health and human services, natural resources, public safety, and transportation.

*Business-type Activities* – Functions normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The major business-type activities of the State include the Unemployment Insurance Fund and the Municipal Finance Programs, which assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

*Discretely Presented Component Units* – Operations for which the State has financial accountability, but have certain independent qualities as well. In order to be considered component units, these entities must be legally separate to the extent that they may sue, or be sued, in their own right. For the most part, these entities operate similarly to private sector businesses and the business-type activities described above. The State's component units consist of one financing authority, one housing board, one nonprofit independent public corporation, one nonprofit association, and two universities.

### **Fund Financial Statements - Reporting the State's Major Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state government, reporting the State's operations in more detail than the government-wide statements. All of the funds can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted individually. The three categories of funds are as follows:

*Governmental Funds* – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-

wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

The State has five governmental funds that are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The State's five major governmental funds are the General Fund, the State Special Revenue Fund, the Federal Special Revenue Fund, the Coal Severance Tax Fund, and the Land Grant Fund.

*Proprietary Funds* – When the State charges customers for the service it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Like the government-wide statements, proprietary fund statements utilize full accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Whereas internal service funds report activities that provide supplies and services to the State's other programs and activities.

*Fiduciary Funds* – Resources held for the benefit of parties outside state government are accounted for in fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. Fiduciary fund statements use the full accrual basis of accounting.

### **Notes to the Financial Statements**

The *notes to the financial statements* provide additional information that is essential for a full understanding of the *government-wide* and the *fund financial statements*. The *notes to the financial statements* can be found immediately following the fiduciary fund financial statements.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information. This section contains a budgetary comparison schedule, which includes the reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund and major special revenue funds as presented in the governmental *fund financial statements*. Required supplementary information also includes pension and other post employment benefits plan information, as well as additional risk management trend data.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Montana's overall financial position increased from the last fiscal year, as reflected in the \$1.7 billion increase (15.1%) in net position. This improvement resulted from the continued growth, particularly in tax revenue. However, growth is not expected to persevere in fiscal year 2023, as the associated financial and economical affects of the pandemic continue to be realized.

### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (government and business-type activities) totaled \$12.7 billion at the end of fiscal year 2022. Net position of both governmental and business-type activities increased by \$1.5 billion (14.8%) and increased by \$116.9 million (20.6%), respectively. These changes are explained in detail in the Financial Analysis of the State's Major Funds section.

A portion of the State's net position reflects its investment in capital assets such as land, buildings, equipment, right to use lease assets, and infrastructure (roads, bridges, and other immovable assets) less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although

the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the State reported positive balances in all three categories of Net position, both for the primary government as a whole, and for its separate governmental and business-type activities.

**Net Position**  
**June 30,**  
*(expressed in thousands)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>
Current and other assets	\$ 7,849,347	\$ 10,020,507	\$ 746,786	\$ 791,818	\$ 8,596,133	\$ 10,812,325
Capital assets	7,067,035	7,355,729	21,377	25,366	7,088,412	7,381,095
Total assets	<u>14,916,382</u>	<u>17,376,236</u>	<u>768,163</u>	<u>817,184</u>	<u>15,684,545</u>	<u>18,193,420</u>
Deferred outflows of resources	<u>1,031,934</u>	<u>763,888</u>	<u>5,792</u>	<u>5,172</u>	<u>1,037,726</u>	<u>769,060</u>
Long-term liabilities						
Due in more than one year	3,535,117	2,543,371	23,131	88,949	3,558,248	2,632,320
Other liabilities	1,823,324	2,231,649	181,844	43,717	2,005,168	2,275,366
Total liabilities	<u>5,358,441</u>	<u>4,775,020</u>	<u>204,975</u>	<u>132,666</u>	<u>5,563,416</u>	<u>4,907,686</u>
Deferred inflows of resources	<u>163,799</u>	<u>1,397,841</u>	<u>2,299</u>	<u>6,087</u>	<u>166,098</u>	<u>1,403,928</u>
Net investment in capital assets	6,962,944	7,094,224	21,360	21,284	6,984,304	7,115,508
Restricted	3,574,995	3,603,589	520,696	644,005	4,095,691	4,247,594
Unrestricted	<u>(111,863)</u>	<u>1,269,450</u>	<u>24,625</u>	<u>18,314</u>	<u>(87,238)</u>	<u>1,287,764</u>
Total net position	<u>\$ 10,426,076</u>	<u>\$ 11,967,263</u>	<u>\$ 566,681</u>	<u>\$ 683,603</u>	<u>\$ 10,992,757</u>	<u>\$ 12,650,866</u>

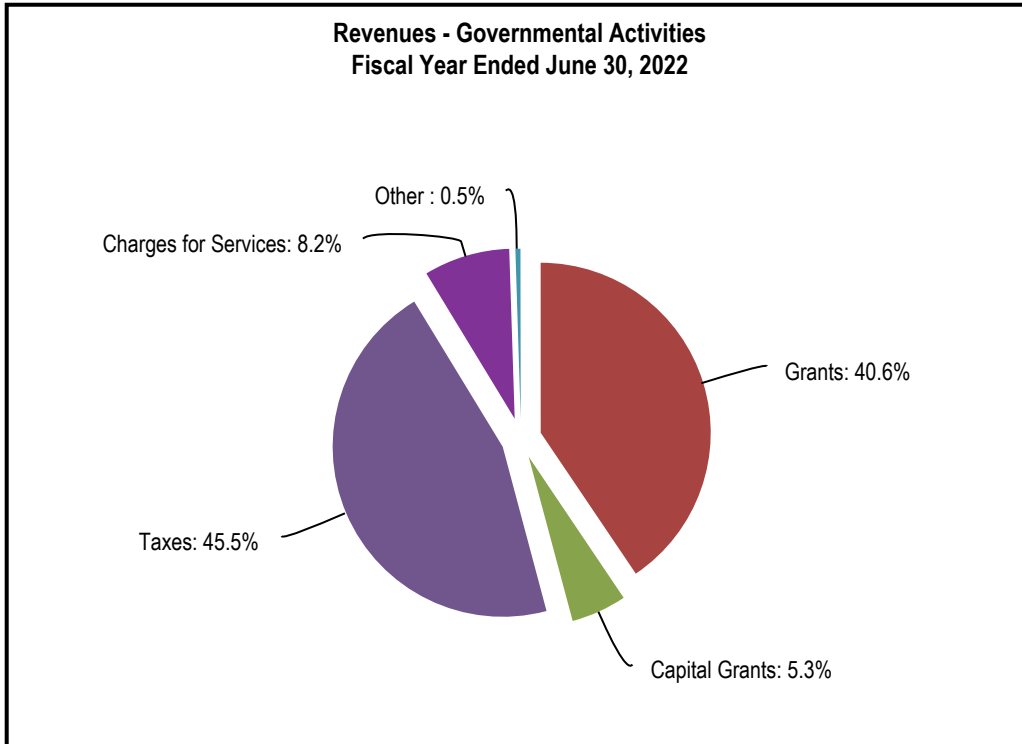
The following condensed financial information was derived from the government-wide Statement of Activities, and reflects how the State's net position changed during the fiscal year:

**Changes in Net Position**  
**For Fiscal Year Ended June 30,**  
*(expressed in thousands)*

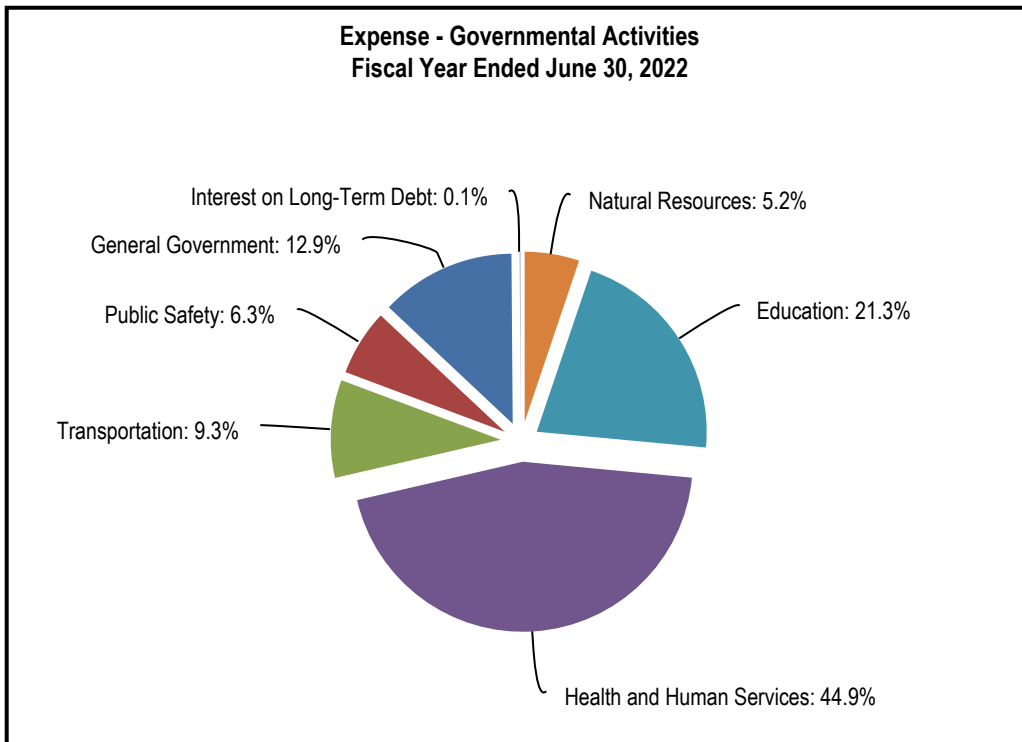
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	2021	2022	2021	2022	2021	2022
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 693,875	\$ 737,036	\$ 519,186	\$ 540,409	\$ 1,213,061	\$ 1,277,445
Operating grants	4,441,208	3,658,290	68,576	68,639	4,509,784	3,726,929
Capital grants	531,666	479,184	883	873	532,549	480,057
General revenues						
Taxes	3,170,440	4,103,161	38,141	40,064	3,208,581	4,143,225
Other	130,057	40,766	555,820	27,345	685,877	68,111
Total revenues	<u>8,967,246</u>	<u>9,018,437</u>	<u>1,182,606</u>	<u>677,330</u>	<u>10,149,852</u>	<u>9,695,767</u>
<b>Expenses:</b>						
General government	1,699,213	970,869			1,699,213	970,869
Public safety	544,839	477,120			544,839	477,120
Transportation	611,537	699,407			611,537	699,407
Health and human service	3,418,518	3,383,554			3,418,518	3,383,554
Education	1,492,682	1,600,965			1,492,682	1,600,965
Natural resources	361,420	390,791			361,420	390,791
Interest on long-term debt	5,026	5,724			5,026	5,724
Unemployment Insurance			728,476	62,150	728,476	62,150
Liquor Stores			120,913	120,008	120,913	120,008
State Lottery			99,353	99,402	99,353	99,402
Municipal Finance Programs			1,602	853	1,602	853
Hail Insurance			796	943	796	943
Other Services			81,765	78,623	81,765	78,623
Prison Funds			7,042	7,523	7,042	7,523
MUS Group Insurance			106,068	120,522	106,068	120,522
MUS Workers Comp			2,852	1,401	2,852	1,401
Total expenses	<u>8,133,235</u>	<u>7,528,430</u>	<u>1,148,867</u>	<u>491,425</u>	<u>9,282,102</u>	<u>8,019,855</u>
Increase (decrease) in net position before transfers	834,011	1,490,007	33,739	185,905	867,750	1,675,912
Transfers	(138,881)	69,224	138,881	(69,224)	—	—
Change in net position	<u>695,130</u>	<u>1,559,231</u>	<u>172,620</u>	<u>116,681</u>	<u>867,750</u>	<u>1,675,912</u>
Net position, beg of year (as adjusted)	9,730,946	10,408,032	394,061	566,922	10,125,007	10,974,954
Net position, end of year	<u>\$ 10,426,076</u>	<u>\$ 11,967,263</u>	<u>\$ 566,681</u>	<u>\$ 683,603</u>	<u>\$ 10,992,757</u>	<u>\$ 12,650,866</u>

**Governmental Activities**

The following chart depicts revenues of the governmental activities for the fiscal year:

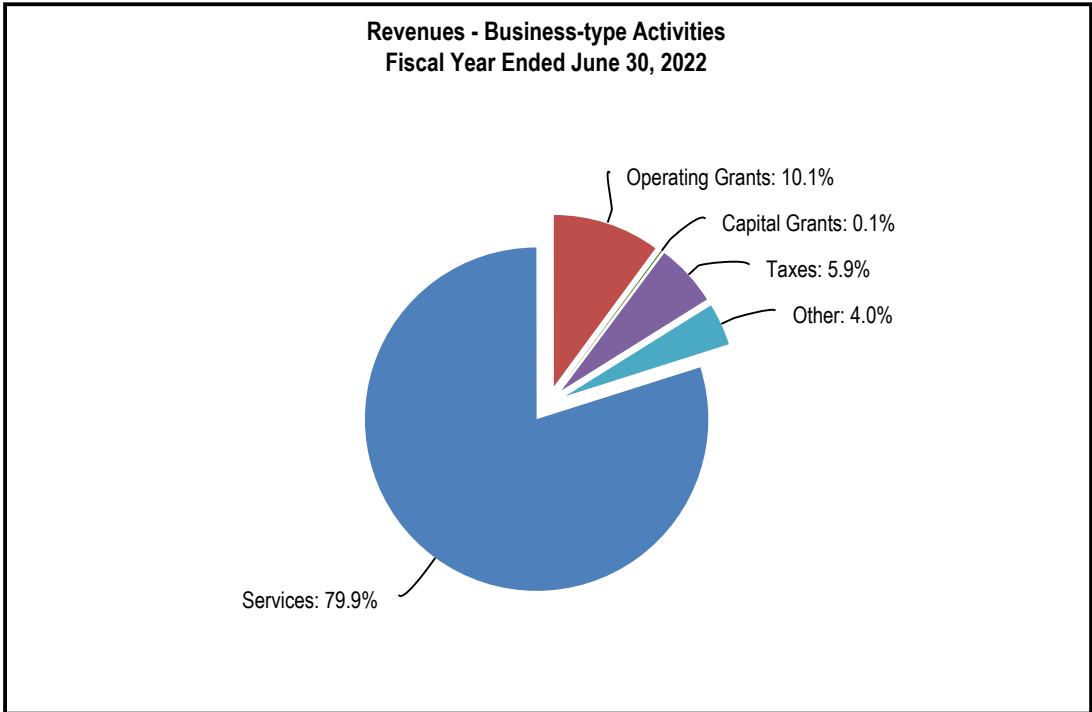


The following chart depicts expenses of the governmental activities for the fiscal year:

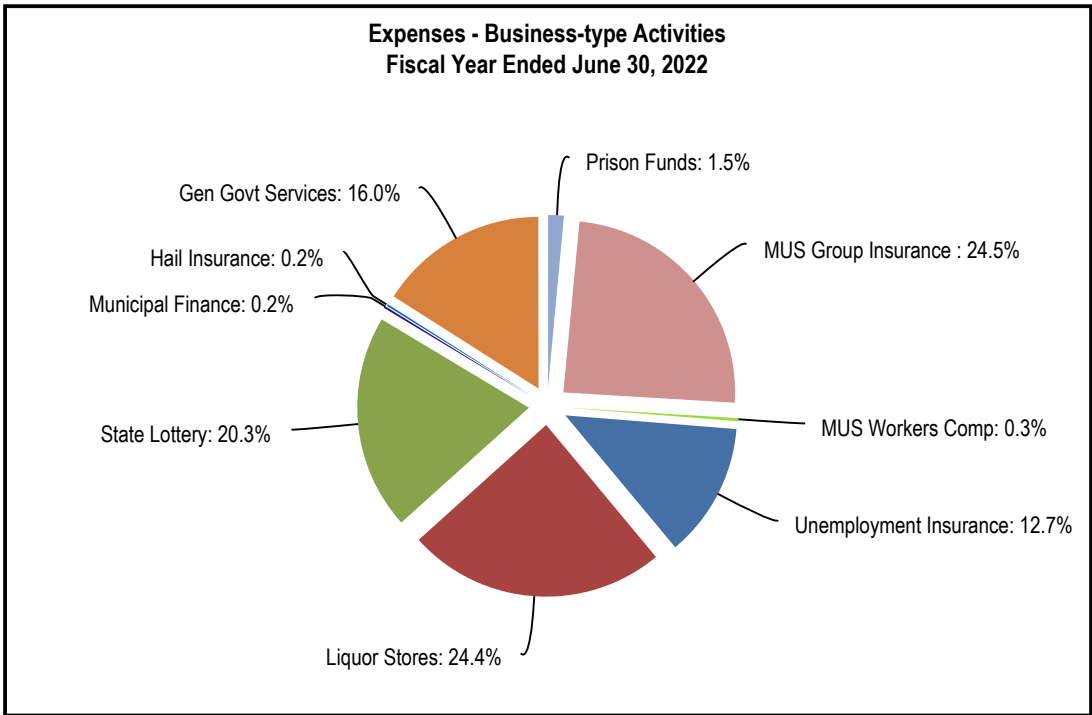


**Business-type Activities**

The following chart depicts revenues of the business-type activities for the fiscal year:



The following chart depicts expenses of the business-type activities for the fiscal year:



## FINANCIAL ANALYSIS OF THE STATE'S MAJOR FUNDS

As the State completed the year, its governmental funds reported fund balances of \$7.0 billion. Of this total, \$5.0 billion (71.7%) constitutes spendable fund balance and \$2.0 billion (28.3%) is classified as non-spendable. The analysis of the following major funds, providing the majority of the fund balance for the government, follows.

### General Fund Revenues and Expenditures

The General Fund is the chief operating fund of the State. For fiscal year 2022, the total fund balance of the General Fund was reported at approximately \$2.0 billion. Of this balance, \$9.5 million is non-spendable. The remaining balance is spendable with \$118.9 million committed, \$94.6 million assigned, and \$1.8 billion unassigned. This spendable fund balance of the General Fund represents 39.7% of the \$5.0 billion spendable governmental fund balances for all governmental funds. Of the assigned fund balance, \$75.0 million pertains to the projected general fund spend down of fund balance in fiscal year 2023 and \$19.6 million relates to outstanding encumbrances at the end of the fiscal year. The committed fund balance of \$118.9 million relates to the balance of the Budget Stabilization Reserve Fund, which is combined with the General Fund for financial statement presentation. Further detail on the breakdown of fund balance for the General Fund is provided in Note 14 – Major Purpose Presentation.

Total fund balance increased by \$1.1 billion when compared to the previously reported fund balance of \$856.3 million. Changes in both expenditures and revenues are discussed in detail below. The 2021 legislative session projected \$357.1 million of unassigned fund balance for fiscal year 2022, without regard to a fund balance spend down. The difference was primarily the result of a larger than anticipated beginning fund balance, larger than anticipated revenues, and smaller than anticipated expenditures.

General Fund Revenues – Total General Fund revenues were \$3.7 billion for fiscal year 2022 (higher than legislative estimation), a 28.6% increase from the \$2.8 billion reported in 2021 (which were higher than legislative estimation). Fiscal year 2022 tax revenue increased by 30.2% in total over 2021, with corporate income tax collections up 11.1% and individual income tax collections increased by 37.2%. The large tax revenue gains were the result of the strong economic conditions of the state coming out of the COVID-19 restrictions. In addition, the large federal spending provisions implemented during fiscal year 2021 increased disposable incomes for individuals, state governments, and businesses. Other noted increases in revenues included licenses/permits and charges for services/fines/forfeits/settlements.

General Fund Expenditures – Total General Fund expenditures for fiscal year 2022 increased by \$49.3 million (2.1%). This increase in expenditures occurred in the health and human services, education, natural resource, and public safety functions; and the decrease in expenditures occurred in the general government and transportation function as follows:

- General government expenditures decreased by \$2.2 million (0.6%)
- Transportation expenditures decreased by \$173.0 thousand
- Health and human services expenditures increased by \$13.3 million (2.7%)
- Education expenditures increased by \$20.8 million (1.9%)
- Natural resources expenditure increased by \$295.0 thousand (0.8%)
- Public safety expenditures increased by \$10.8 million (3.5%)

The expenditures in the education function increased partially due to OPI K-12 Base Aid increase.

The General Fund's actual revenues and expenditures in comparison to budgeted revenues and expenditures is provided in more depth on the Budgetary Comparison Schedule within the Required Supplementary Information section of this report. The same level of detail used to report the actual revenues and expenditures is not readily available for all budgetary revenues and expenditures, which may cause some variances.

### General Fund Expenditure Budget Reversions

Fund balances are not reserved for reverted appropriations. For fiscal year 2022, General Fund appropriations that reverted to 2023 were \$14.2 million, detailed as follows:



- The Department of Public Health and Human Services had unspent appropriations of \$2.4 million related to the costs reimbursed by federal funding associated with COVID-19 and other operational costs.
- The Department of Corrections had unspent appropriations of \$1.0 million related to restricted funds as a contingency for the county jail bed holds, information technology and for an adjustment for worker's comp reverted back to the general fund.
- The Judicial Branch had unspent appropriations of \$3.4 million related to vacancy savings, operational costs, and benefits and claims.
- The Department of Revenue had unspent appropriations of \$2.2 million related to funds available to local governing bodies pursuant to Section 15-1-402 (6)(d), MCA, regarding protested property taxes, Section 15-1-120, MCA, regarding entitlement share payments, and other operational costs.
- The Office of the Governor had unspent appropriations of \$1.1 million related to vacancy savings and operational cost savings.
- The Department of Natural Resources and Conservation had unspent appropriations of \$1.2 million related to unspent operation costs associated with vacancy savings and personal services costs.
- The remaining unspent appropriation of \$2.9 million was attributable to miscellaneous reversions across other agencies.

#### **State Special Revenue Fund**

The fund balance of the State Special Revenue Fund increased by \$92.7 million to \$2.1 billion. Revenues increased by \$88.7 million (7.9%) and expenditures increased \$116.8 million (9.8%), for fiscal year 2022. The largest increases in revenues are attributable to an increase in natural resource and other taxes, and licenses and permits. The largest increases in expenditures are attributable to general government and natural resources expenditures. Other financing sources increases included increased energy conservation loans, and more excess lands were sold by Montana Department of Transportation due to legislative action making it easier to make purchases through an online portal. Other financing sources, such as bond issued, decreased due to a decrease in new bonds issued. Other financing uses, such as transfers out of the State Special Revenue Fund to other governmental funds decreased. The effect of transfers into the State Special Revenue Fund from other governmental funds resulted in an increase in fund balance.

#### **Federal Special Revenue Fund**

The fund balance of the Federal Special Revenue Fund decreased by \$14.0 million (123.3%) to the balance of negative \$25.3 million. Revenues and expenditures decreased by \$822.7 million (17.1%) and \$611.8 million (13.4%) respectively, for the fiscal year 2022. Revenue decreases are attributable to decreases in federal program revenue, including COVID-19 related federal funding. Expenditure decreases are attributable to decreases in general government, health and human services, public safety, transportation, and natural resources related expenditures. The education related expenditure increases are attributable to COVID-19.

#### **Coal Severance Tax Permanent Fund**

The fund balance of the Coal Severance Tax Permanent Fund decreased by \$12.8 million (1.0%) to \$1.2 billion. Revenue decreased by \$23.3 million (58.4%) to \$16.6 million, primarily due to a decrease of investment earnings.

#### **Land Grant Permanent Fund**

The fund balance of the Land Grant Permanent Fund increased by \$2.3 million (0.3%) to \$873.9 million. Revenue decreased by \$22.9 million to a total of \$70.7 million, and the investment earnings were attributable to the decrease. Primarily, income generated by the State's trust lands resulted in an increase in fund balance.

The State's proprietary funds financial statements provided the same type of information founded in the government-wide financial statements, but in more detail. As the State completed the year, the enterprise funds reported fund balances of \$683.6 million. Of this total, \$662.3 million (96.9%) constitutes spendable

net position and \$21.3 million (3.1%) is classified as net investment in capital assets. The analysis of the following major enterprise funds, providing the majority of the net position for the business-type activities, follows.

**Unemployment Insurance Enterprise Fund**

Net position restricted for unemployment compensation increased by \$123.0 million (30.7%). The increase in net position is attributable to lower unemployment claims and CARES Act funding from the Governor’s Office to help maintain trust fund balances in an effort to keep rates from raising and placing an undue burden on employers in fiscal year 2022.

**Municipal Finance Programs Fund**

Net position increased by 5.9% to \$5.2 million in fiscal year 2022. Financing income revenue increased \$8.0 thousand, and investment earnings increased \$13.0 thousand, while expenses from interest expense decreased \$432.0 thousand. Overall revenues and expenditures decreased 1.6% and 46.8%, respectively, which resulted in an increase of \$292.0 thousand to net position.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The State’s investment in capital assets for its governmental and business-type activities, as of June 30, 2022, amounted to \$10.0 billion, with related accumulated depreciation of \$2.6 billion, leaving a net book value of \$7.4 billion. This investment in capital assets includes land, buildings, improvements, equipment, right to use lease assets, infrastructure, intangible assets, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State’s investment in capital assets for the current fiscal year was \$292.7 million or 4.1% in terms of net book value. Most increases in capital expenditures were seen in construction, or reconstruction, of roads and bridges. Additional information relating to the State’s capital assets can be found in Note 5 of the notes to the financial statements.

**Debt Administration**

Montana continues to receive excellent general obligation bond ratings from Moody’s Investor Service (Aa1), Standard and Poor’s Corporation (AA), and Fitch Ratings (AA+), which remain unchanged from 2021.

State debt may be authorized either by a two-thirds vote of the members of each house of the Legislature or by a favorable vote of a majority of the State’s electors voting thereon. There is no constitutional limit on the amount of debt that may be incurred by the State. The Montana Constitution does, however, prohibit the incurring of debt to cover deficits caused by appropriations exceeding anticipated revenue.

The State of Montana’s general obligation debt increased from \$127.6 million at June 30, 2021, to \$130.8 million at June 30, 2022. There is cash available, of \$8.2 million at the end of fiscal year 2022, in debt service funds to service general obligation debt.

The below table contains the ratio of general obligation debt and total State debt to personal income and to the amount of debt per capita:

	Amount <i>(in thousands)</i>	Percentage of Personal Income <sup>(1)</sup>	State Debt Per Capita <sup>(2)</sup>
General obligation debt	\$ 130,772	0.21%	\$ 118
Total State debt <sup>(3)</sup>	\$ 394,833	0.60%	\$ 345

<sup>(1)</sup> Based on personal income for calendar year 2021.

<sup>(2)</sup> Based on estimated 2021 Montana population.

<sup>(3)</sup> Based on total of general obligation bonds, special revenue bonds, notes payable, and lease/financed purchase payable for the percentage and state debt per capita.

More detailed information regarding the State's long-term obligations is provided in Note 11 of the notes to the financial statements and in the statistical tables.

### **ECONOMIC CONDITION AND OUTLOOK**

The State was allocated \$2.0 billion from the American Rescue Plan Act (ARPA) during fiscal year 2021. The legislature has appropriated approximately \$1.8 billion and enacted laws to allow appropriations to continue into the 2025 bienniums. The programs designated by the legislature for ARPA funding are infrastructure, communications, broadband, economic transformation and stabilization, workforce development, housing, and health. ARPA funds spent before June 30, 2022, totaled \$287.0 million. Since June 30, 2022, another \$203.0 million has been spent. The State plans to spend all funds received by June 30, 2026.

Montana's primary economic base remains concentrated in service-providing industries. By share of real gross state product (GSP), the financial activities sector (18%), the trade, transportation, and utilities sector (18%), and the education and health services sector (11%) were Montana's largest in 2021. Manufacturing in Montana accounted for 6.5% of 2021 real GSP and is the state's largest goods-providing industry. Per the 2022 Labor Day Report issued by the Montana Department of Labor and Industry, Montana is experiencing a booming economy, with more Montanans working than ever. Businesses have continued to thrive, grow, and increase production in the face of worker shortages by increasing productivity and raising wages to attract workers. Montana's average annual wage recorded nominal growth of 5.9% in 2021, ranking the 10<sup>th</sup> fastest among states. Montana's unemployment rate dropped quickly after the pandemic recession, reaching a historic low of 2.3% in March and April of 2022 while the national rate stood at 3.6%. Rapid economic expansion has brought prosperity, but fast growth creates additional pressure on an already constrained labor market. Tight labor markets will continue to challenge Montana's economic growth.

Montana had an estimated 1,106,227 population as of July 1, 2021. The Montana labor market had total nonfarm workers of 514,400 in August 2022 compared to 481,800 in August 2021. A more in-depth analysis of the State's overall financial position can be found in the transmittal letter of this report.

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is within 30 years. As of June 30, 2022, the Public Employees Retirement System-Defined Benefit Retirement Plan (PERS-DBRP), the Highway Patrol Officers' Retirement System (HPORS), the Sheriffs' Retirement System (SRS), and the Game Warden & Peace Officers' Retirement System (GWPORS) were not in compliance and did not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortized in 30 years or less as of the fiscal year ended June 30, 2022.

The actuarial condition of these retirement plans is disclosed in greater detail in Note 6 of the financial statements. The unfunded actuarial liability of these plans is long-term in nature and does not translate into an inability of the plans to meet their current obligations in the near future.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the State of Montana's finances for all of Montana's citizens, taxpayers, customers, investors, and creditors. The financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the State of Montana, Statewide Accounting Bureau, Room 255 Mitchell Building, PO Box 200102, Helena, MT 59620.

**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

(amounts expressed in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS</b>				
Cash/cash equivalents (Note 3)	\$ 5,135,042	\$ 618,664	\$ 5,753,706	\$ 628,703
Receivables, net (Note 4)	639,322	66,220	705,542	139,329
Due from primary government	—	—	—	2,006
Due from other governments	361,885	229	362,114	43,602
Due from component units	567	1,310	1,877	263
Internal balances	15,426	(15,426)	—	—
Inventories	35,074	6,746	41,820	4,692
Advances to component units	8,971	7,746	16,717	—
Long-term loans/notes/leases receivable (Note 4)	892,186	85,137	977,323	596,157
Equity in pooled investments (Note 3)	2,617,579	17,392	2,634,971	90,939
Investments (Note 3)	198,656	1,836	200,492	2,374,568
Securities lending collateral (Note 3)	39,997	266	40,263	14,085
Net pension asset (Note 6)	59,202	—	59,202	—
Other assets	16,600	1,698	18,298	23,052
Depreciable capital assets and infrastructure, net (Note 5)	4,862,426	17,310	4,879,736	976,371
Land and nondepreciable capital assets (Note 5)	2,493,303	8,056	2,501,359	104,221
Total assets	17,376,236	817,184	18,193,420	4,997,988
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 4)</b>	763,888	5,172	769,060	126,342
<b>LIABILITIES</b>				
Accounts payable (Note 4)	803,759	23,441	827,200	75,391
Lottery prizes payable	—	4,385	4,385	—
Due to primary government	—	—	—	1,877
Due to other governments	48,316	356	48,672	341
Due to component units	2,006	—	2,006	263
Due to pension trust funds	37,558	—	37,558	—
Advances from primary government	—	—	—	16,717
Unearned revenue	1,053,800	2,350	1,056,150	97,198
Amounts held in custody for others	56,604	32	56,636	13,935
Securities lending liability (Note 3)	39,997	266	40,263	14,085
Other liabilities	5,228	—	5,228	22,150
Long-term liabilities (Note 11):				
Due within one year	184,381	12,887	197,268	212,881
Due in more than one year	508,857	76,329	585,186	1,817,999
Net pension liability (Note 6)	1,915,996	10,590	1,926,586	160,424
Total OPEB liability (Note 7)	118,518	2,030	120,548	50,480
Total liabilities	4,775,020	132,666	4,907,686	2,483,741
<b>DEFERRED INFLOWS OF RESOURCES (Note 4)</b>	1,397,841	6,087	1,403,928	130,931

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>NET POSITION</b>				
Net investment in capital assets	\$ 7,094,224	\$ 21,284	\$ 7,115,508	\$ 715,379
Restricted for:				
General government	11,754	—	11,754	—
Transportation	138,784	—	138,784	—
Health and human service	37,543	—	37,543	—
Natural resources	680,896	—	680,896	—
Public safety	182,254	—	182,254	—
Education	38,017	—	38,017	—
Funds held as permanent investments:				
Nonexpendable	1,949,254	—	1,949,254	512,195
Expendable	565,087	—	565,087	—
Unemployment compensation	—	523,827	523,827	—
Montana Board of Housing	—	—	—	160,180
Other purposes (Note 1)	—	120,178	120,178	306,689
Unrestricted	1,269,450	18,314	1,287,764	815,215
Total net position	<u>\$ 11,967,263</u>	<u>\$ 683,603</u>	<u>\$ 12,650,866</u>	<u>\$ 2,509,658</u>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**  
*(amounts expressed in thousands)*

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 970,869	\$ 243,057	\$ 338,592	\$ 838	\$ (388,382)
Public safety	477,120	206,407	15,613	—	(255,100)
Transportation	699,407	35,138	60,155	447,988	(156,126)
Health and human services	3,383,554	32,735	2,710,469	648	(639,702)
Education	1,600,965	4,477	419,520	662	(1,176,306)
Natural resources	390,791	215,222	113,941	29,048	(32,580)
Interest on long-term debt	5,724	—	—	—	(5,724)
Total governmental activities	7,528,430	737,036	3,658,290	479,184	(2,653,920)
Business-type activities:					
Unemployment Insurance	62,150	139,413	16,636	—	93,899
Liquor Stores	120,008	141,984	—	—	21,976
State Lottery	99,402	116,051	—	—	16,649
Municipal Finance Programs	853	—	1,145	—	292
Hail Insurance	943	764	3	—	(176)
Other Service	78,623	31,612	51,029	873	4,891
Prison Funds	7,523	6,908	—	—	(615)
MUS <sup>1</sup> Group Insurance	120,522	102,059	(93)	—	(18,556)
MUS <sup>1</sup> Workers Compensation	1,401	1,618	(81)	—	136
Total business-type activities	491,425	540,409	68,639	873	118,496
Total primary government	\$ 8,019,855	\$ 1,277,445	\$ 3,726,929	\$ 480,057	\$ (2,535,424)
<b>Component units:</b>					
Montana Board of Housing	\$ 17,997	\$ 2,644	\$ 15,018	\$ —	\$ (335)
Facility Finance Authority	643	1,153	88	—	598
Montana Reinsurance Association	31,732	—	17,627	—	(14,105)
Montana State Fund	210,273	159,680	—	—	(50,593)
Montana State University	686,933	314,355	275,191	18,983	(78,404)
University of Montana	483,135	177,511	160,404	2,209	(143,011)
Total component units	\$ 1,430,713	\$ 655,343	\$ 468,328	\$ 21,192	\$ (285,850)

<sup>1</sup>Montana University System

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Changes in net position:				
Net (expense) revenue	\$ (2,653,920)	\$ 118,496	\$ (2,535,424)	\$ (285,850)
General revenues:				
Taxes:				
Property	369,202	—	369,202	—
Fuel	282,834	—	282,834	—
Natural resource	265,937	—	265,937	—
Individual income	2,365,833	—	2,365,833	—
Corporate income	298,217	—	298,217	—
Other (Note 1)	521,138	40,064	561,202	—
Unrestricted grants and contributions	17,977	19,705	37,682	—
Settlements	32,973	—	32,973	—
Unrestricted investment earnings (losses)	(25,107)	13	(25,094)	33,021
Transfers from primary government	—	—	—	265,466
Gain (loss) on sale of capital assets	8,291	294	8,585	(598)
Miscellaneous	6,632	7,333	13,965	830
Contributions to term and permanent endowments	—	—	—	61,195
Transfers between primary government	69,224	(69,224)	—	—
Total general revenues, contributions, and transfers	4,213,151	(1,815)	4,211,336	359,914
Change in net position	1,559,231	116,681	1,675,912	74,064
Total net position - July 1 - as previously reported	10,426,076	566,681	10,992,757	2,467,939
Adjustments to beginning net position (Note 2)	(18,044)	241	(17,803)	(32,345)
Total net position - July 1 - as adjusted	10,408,032	566,922	10,974,954	2,435,594
Total net position - June 30	\$ 11,967,263	\$ 683,603	\$ 12,650,866	\$ 2,509,658

The notes to the financial statements are an integral part of this statement.

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

JUNE 30, 2022

(amounts expressed in thousands)

	SPECIAL REVENUE		
	GENERAL	STATE	FEDERAL
<b>ASSETS</b>			
Cash/cash equivalents (Note 3)	\$ 1,974,907	\$ 1,257,072	\$ 1,098,359
Receivables (net)	348,149	153,404	85,370
Interfund loans receivable (Note 12)	114,628	64,601	—
Due from other governments	11,950	2,324	347,418
Due from other funds (Note 12)	51,139	11,257	809
Due from component units	—	321	—
Inventories	5,906	22,686	—
Equity in pooled investments (Note 3)	—	371,245	—
Long-term loans/notes/leases receivable	—	506,500	3,604
Advances to other funds (Note 12)	2,780	48,184	—
Advances to component units	—	1,662	—
Investments (Note 3)	10,132	3,504	—
Securities lending collateral (Note 3)	—	5,673	—
Other assets	2,689	10,111	500
Total assets	\$ 2,522,280	\$ 2,458,544	\$ 1,536,060
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 324,987	\$ 192,005	\$ 261,584
Interfund loans payable (Note 12)	—	11,878	162,811
Due to other governments	425	46,369	1,521
Due to other funds (Note 12)	1,193	26,912	6,218
Due to component units	37,629	444	1,491
Advances from other funds (Note 12)	—	4,561	48,186
Unearned revenue	34	23,514	1,029,388
Amounts held in custody for others	9,136	43,220	937
Securities lending liability (Note 3)	—	5,673	—
Other liabilities	—	331	—
Total liabilities	373,404	354,907	1,512,136
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	152,257	31,708	49,199
Fund balances (Note 14):			
Nonspendable	9,521	23,576	202
Restricted	—	1,198,509	—
Committed	118,904	849,844	—
Assigned	94,626	—	—
Unassigned	1,773,568	—	(25,477)
Total fund balances	1,996,619	2,071,929	(25,275)
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,522,280	\$ 2,458,544	\$ 1,536,060

The notes to the financial statements are an integral part of this statement.



PERMANENT				
	COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL
\$	54,262	\$ 41,894	\$ 409,358	\$ 4,835,852
	16,828	8,937	13,491	626,179
	—	—	—	179,229
	—	—	—	361,692
	—	—	5,085	68,290
	116	—	130	567
	—	—	—	28,592
	959,958	831,546	416,484	2,579,233
	—	364,880	17,202	892,186
	—	—	4,561	55,525
	7,249	—	60	8,971
	182,723	—	—	196,359
	14,668	12,706	6,364	39,411
	—	31	—	13,331
\$	1,235,804	\$ 1,259,994	\$ 872,735	\$ 9,885,417
\$	—	\$ 9	\$ 5,154	\$ 783,739
	1,931	9	2,473	179,102
	—	—	—	48,315
	540	—	14	34,877
	—	—	—	39,564
	—	—	2,278	55,025
	—	—	—	1,052,936
	—	2,896	12	56,201
	14,668	12,706	6,364	39,411
	—	—	—	331
	17,139	15,620	16,295	2,289,501
	2,358	370,435	1,030	606,987
	662,613	873,939	410,852	1,980,703
	—	—	32,477	1,230,986
	553,694	—	412,390	1,934,832
	—	—	703	95,329
	—	—	(1,012)	1,747,079
	1,216,307	873,939	855,410	6,988,929
\$	1,235,804	\$ 1,259,994	\$ 872,735	\$ 9,885,417

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION**

JUNE 30, 2022

*(amounts expressed in thousands)*

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Total fund balances - governmental funds	\$	6,988,929
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Amounts reported for governmental activities in the Statement of Net Position are different due to:

Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds (Note 5):

Depreciable capital assets and infrastructure, net	\$	4,862,426	
Land and nondepreciable capital assets		<u>2,493,303</u>	7,355,729

Deferred outflows of resources represent a consumption of net assets that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds.	763,888
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Other assets not available in the current period and therefore are not reported in the governmental funds:

Net pension asset	59,202
Long-term receivables	(303)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position, excluding internal service funds' capital assets, deferred outflows of resources, deferred inflows of resources and long-term liabilities reported in specific areas.

335,018

Other liabilities that are not due and payable in the current period and are not reported in the governmental funds.	(16,598)
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A portion of deferred inflows of resources represents an acquisition of net assets that will be recognized as an inflow of resources in a future period, which differs than that reported in the governmental funds.

(790,850)

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds (Note 11):

Other long-term liabilities	(693,238)	
Net pension liability	(1,915,996)	
Total OPEB liability	<u>(118,518)</u>	<u>(2,727,752)</u>

Total net position - governmental activities	\$	<u><u>11,967,263</u></u>
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*The notes to the financial statements are an integral part of this statement.*

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (amounts expressed in thousands)

	SPECIAL REVENUE		
	GENERAL	STATE	FEDERAL
<b>REVENUES (Note 14)</b>			
Licenses/permits	\$ 150,223	\$ 318,215	\$ —
Taxes:			
Natural resource	113,578	108,152	—
Individual income	2,379,459	—	—
Corporate income	293,108	12	—
Property	347,201	22,001	—
Fuel	—	282,835	—
Other	290,457	218,323	—
Charges for services/fines/forfeits/settlements	35,162	127,950	7,014
Investment earnings (losses)	11,764	(5,583)	227
Securities lending income	28	24	—
Sale of documents/merchandise/property	296	11,648	—
Rentals/leases/royalties	55	1,369	—
Contributions/premiums	—	42,419	—
Grants/contracts/donations	15,584	23,812	26
Federal	25,155	7,997	3,874,565
Federal indirect cost recoveries	253	45,895	95,384
Other revenues	1,220	4,869	430
Total revenues	<u>3,663,543</u>	<u>1,209,938</u>	<u>3,977,646</u>
<b>EXPENDITURES</b>			
Current:			
General government	383,413	240,601	260,878
Public safety	321,168	122,933	19,981
Transportation	1	265,730	109,367
Health and human services	504,083	244,557	2,698,897
Education	1,140,171	89,464	396,415
Natural resources	38,521	257,134	99,744
Debt service:			
Principal retirement	9,098	7,739	4,292
Interest/fiscal charges	1,222	1,255	387
Capital outlay	4,194	75,513	376,634
Securities lending	2	5	—
Total expenditures	<u>2,401,873</u>	<u>1,304,931</u>	<u>3,966,595</u>
Excess of revenue over (under) expenditures	<u>1,261,670</u>	<u>(94,993)</u>	<u>11,051</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Inception of lease/financed purchase	795	3,796	858
Insurance proceeds	—	141	—
General capital asset sale proceeds	107	2,912	—
Bond issued	—	16,035	—
Energy conservation loans	—	1,153	—
Transfers in (Note 12)	130,844	216,249	2,708
Transfers out (Note 12)	(226,254)	(51,496)	(25,764)
Total other financing sources (uses)	<u>(94,508)</u>	<u>188,790</u>	<u>(22,198)</u>
Net change in fund balances	<u>1,167,162</u>	<u>93,797</u>	<u>(11,147)</u>
Fund balances - July 1 - as previously reported	<u>856,300</u>	<u>1,979,198</u>	<u>(11,321)</u>
Adjustments to beginning fund balance (Note 2)	<u>(25,024)</u>	<u>(51)</u>	<u>(2,807)</u>
Fund balances - July 1 - as adjusted	<u>831,276</u>	<u>1,979,147</u>	<u>(14,128)</u>
Increase (decrease) in inventories	<u>(1,819)</u>	<u>(1,015)</u>	<u>—</u>
Fund balances - June 30	<u>\$ 1,996,619</u>	<u>\$ 2,071,929</u>	<u>\$ (25,275)</u>

The notes to the financial statements are an integral part of this statement.

PERMANENT				
	COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL
\$	—	\$ 1,642	\$ —	\$ 470,080
	35,221	—	11,251	268,202
	—	—	—	2,379,459
	—	—	—	293,120
	—	—	—	369,202
	—	—	—	282,835
	—	—	13,615	522,395
	—	—	12,590	182,716
	(18,710)	(17,411)	1,966	(27,747)
	61	52	25	190
	—	10,203	—	22,147
	—	76,190	—	77,614
	—	—	—	42,419
	—	1	—	39,423
	—	—	—	3,907,717
	—	—	—	141,532
	—	—	—	6,519
	16,572	70,677	39,447	8,977,823
	—	—	149	885,041
	—	—	29	464,111
	—	—	—	375,098
	—	—	868	3,448,405
	—	—	15	1,626,065
	—	4,263	1,096	400,758
	—	—	22,132	43,261
	—	—	4,820	7,684
	—	—	37,136	493,477
	12	10	5	34
	12	4,273	66,250	7,743,934
	16,560	66,404	(26,803)	1,233,889
	—	—	—	5,449
	—	—	—	141
	—	7,242	1	10,262
	—	—	—	16,035
	—	—	—	1,153
	435	67	168,008	518,311
	(29,748)	(71,455)	(26,690)	(431,407)
	(29,313)	(64,146)	141,319	119,944
	(12,753)	2,258	114,516	1,353,833
	1,229,060	871,681	741,035	5,665,953
	—	—	(141)	(28,023)
	1,229,060	871,681	740,894	5,637,930
	—	—	—	(2,834)
\$	1,216,307	\$ 873,939	\$ 855,410	\$ 6,988,929

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

*(amounts expressed in thousands)*

---

Net change in fund balances - total governmental funds	\$	1,353,833
--	----	-----------

Amounts reported for governmental activities in the Statement of Activities are different due to:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense over the useful life of the capital asset. Capital outlays exceeded depreciation expense in the current year by the following amount (Note 5):

Capital outlay	\$	493,477	
Depreciation expense and amortization		<u>(291,100)</u>	202,377

Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities, but only proceeds from sales are reported in the governmental funds.	12,187
---	--------

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	33,119
--	--------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(16,035)
---	----------

Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. Internal service funds are reported separately from governmental funds in the fund financial statements. In the government-wide statements, internal service funds are included with governmental activities.	84,383
---	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease items reported in the Statement of Net Position.	<u>(110,633)</u>
---	------------------

Change in net position - governmental activities	\$	<u><u>1,559,231</u></u>
--	----	-------------------------

*The notes to the financial statements are an integral part of this statement.*

**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
 JUNE 30, 2022  
 (amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	ACTIVITIES - INTERNAL SERVICE FUNDS
<b>ASSETS</b>					
Current assets:					
Cash/cash equivalents (Note 3)	\$ 468,480	\$ 4,931	\$ 145,253	\$ 618,664	\$ 299,189
Receivables, net (Note 4)	17,118	7,581	41,521	66,220	13,448
Interfund loans receivable (Note 12)	—	—	500	500	57
Due from other governments	208	—	21	229	197
Due from other funds (Note 12)	—	1,764	5	1,769	404
Due from component units	—	1,310	—	1,310	—
Inventories	—	—	6,746	6,746	6,487
Securities lending collateral (Note 3)	—	—	266	266	586
Other current assets	—	1	352	353	3,267
Total current assets	485,806	15,587	194,664	696,057	323,635
Noncurrent assets:					
Advances to other funds (Note 12)	—	8,952	—	8,952	—
Advances to component units	—	7,746	—	7,746	—
Long-term investments (Note 3)	—	—	19,228	19,228	40,641
Long-term notes/loans receivable (Note 4)	42,838	42,228	71	85,137	—
Other long-term assets	—	—	1,345	1,345	—
Capital assets (Note 5):					
Land	—	—	800	800	—
Land improvements	—	—	3,830	3,830	95
Buildings/improvements	—	—	16,393	16,393	6,069
Equipment	—	—	9,960	9,960	279,295
Infrastructure	—	—	1,175	1,175	—
Construction work in progress	—	—	3,830	3,830	7,211
Intangible/right to use lease, net	—	—	5,431	5,431	8,565
Other capital assets	—	—	3,426	3,426	—
Less accumulated depreciation	—	—	(19,479)	(19,479)	(189,389)
Total capital assets	—	—	25,366	25,366	111,846
Total noncurrent assets	42,838	58,926	46,010	147,774	152,487
Total assets	528,644	74,513	240,674	843,831	476,122
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	—	112	5,060	5,172	18,698

**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
 JUNE 30, 2022  
 (amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	ACTIVITIES - INTERNAL SERVICE FUNDS
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable (Note 4)	4,817	208	18,416	23,441	18,029
Lottery prizes payable	—	—	3,456	3,456	—
Interfund loans payable (Note 12)	—	—	20	20	664
Due to other governments	—	—	356	356	—
Due to other funds (Note 12)	—	—	24,127	24,127	1,752
Unearned revenue	—	—	2,350	2,350	865
Lease/financed purchase payable (Note 10)	—	—	359	359	2,500
Bonds/notes payable - net (Note 11)	—	—	—	—	334
Amounts held in custody for others	—	—	32	32	403
Securities lending liability (Note 3)	—	—	266	266	586
Estimated insurance claims (Note 8)	—	—	11,459	11,459	48,168
Compensated absences payable (Note 11)	—	38	1,031	1,069	4,259
Total current liabilities	4,817	246	61,872	66,935	77,560
Noncurrent liabilities:					
Lottery prizes payable	—	—	929	929	—
Advances from other funds (Note 12)	—	—	2,500	2,500	6,952
Lease/financed purchase payable (Note 10)	—	—	3,346	3,346	9,424
Bonds/notes payable - net (Note 11)	—	68,707	—	68,707	334
Estimated insurance claims (Note 8)	—	—	3,036	3,036	13,895
Compensated absences payable (Note 11)	—	32	1,208	1,240	4,104
Net pension liability (Note 6)	—	255	10,335	10,590	45,816
Total OPEB liability (Note 7)	—	36	1,994	2,030	7,286
Total noncurrent liabilities	—	69,030	23,348	92,378	87,811
Total liabilities	4,817	69,276	85,220	159,313	165,371
<b>DEFERRED INFLOWS OF RESOURCES (Note 4)</b>	—	124	5,963	6,087	23,080
<b>NET POSITION</b>					
Net investment in capital assets	—	—	21,284	21,284	91,206
Restricted for:					
Unemployment compensation	523,827	—	—	523,827	—
Other purposes	—	5,213	114,965	120,178	—
Unrestricted	—	12	18,302	18,314	215,163
Total net position	\$ 523,827	\$ 5,225	\$ 154,551	\$ 683,603	\$ 306,369

The notes to the financial statements are an integral part of this statement.



**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	ACTIVITIES - INTERNAL SERVICE FUNDS
<b>Operating revenues:</b>					
Charges for services	\$ 163	\$ —	283,373	\$ 283,536	\$ 177,313
Investment earnings (losses)	6,725	18	(132)	6,611	(911)
Securities lending income	—	—	1	1	2
Financing income	—	1,127	—	1,127	—
Contributions/premiums	139,250	—	117,031	256,281	200,267
Grants/contracts/donations	9,911	—	50,962	60,873	4,659
Other operating revenues	—	—	7,920	7,920	158,332
Total operating revenues	156,049	1,145	459,155	616,349	539,662
<b>Operating expenses:</b>					
Personal services	—	327	16,519	16,846	66,001
Contractual services	—	13	30,866	30,879	46,759
Supplies/materials	—	2	122,596	122,598	25,384
Benefits/claims	59,902	—	162,623	222,525	213,803
Depreciation	—	—	1,088	1,088	14,130
Amortization	—	—	1,502	1,502	1,208
Utilities/rent	—	14	890	904	5,999
Communications	—	3	1,104	1,107	13,059
Travel	—	1	297	298	383
Repairs/maintenance	—	—	2,259	2,259	39,148
Grants	—	—	—	—	147
Lottery prize payments	—	—	78,520	78,520	—
Interest expense	—	434	68	502	402
Other operating expenses	2,248	59	9,604	11,911	6,267
Total operating expenses	62,150	853	427,936	490,939	432,690
Operating income (loss)	93,899	292	31,219	125,410	106,972
<b>Nonoperating revenues (expenses):</b>					
Tax revenues (Note 1)	—	—	40,064	40,064	—
Grant revenue	19,705	—	—	19,705	—
Insurance proceeds	—	—	—	—	694
Gain (loss) on sale of capital assets	—	—	(375)	(375)	279
Federal indirect cost recoveries	—	—	39	39	8,554
Increase (decrease) value of livestock	—	—	181	181	—
Total nonoperating revenues (expenses)	19,705	—	39,909	59,614	9,527
Income (loss) before contributions and transfers	113,604	292	71,128	185,024	116,499
Capital contributions	—	—	987	987	666
Transfers in (Note 12)	9,091	—	384	9,475	3,734
Transfers out (Note 12)	—	—	(78,805)	(78,805)	(36,519)
Change in net position	122,695	292	(6,306)	116,681	84,380
Total net position - July 1 - as previously reported	400,873	4,933	160,875	566,681	220,870
Adjustments to beginning net position (Note 2)	259	—	(18)	241	1,119
Total net position - July 1 - as adjusted	401,132	4,933	160,857	566,922	221,989
Total net position - June 30	\$ 523,827	\$ 5,225	\$ 154,551	\$ 683,603	\$ 306,369

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL		TOTAL	
		FINANCE PROGRAMS	NONMAJOR		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipt from sales and service	\$ 139,640	\$ —	\$ 399,077	\$ 538,717	\$ 374,652
Payments to suppliers for goods and services	—	(95)	(151,387)	(151,482)	(129,227)
Payments to employees	—	(400)	(17,106)	(17,506)	(67,821)
Grant receipts (expenses)	6,761	—	51,332	58,093	4,511
Cash payments for claims	(103,745)	—	(165,812)	(269,557)	(220,734)
Cash payments for prizes	—	—	(78,589)	(78,589)	—
Other operating revenues	—	—	9,291	9,291	166,887
Other operating payments	—	—	(10,810)	(10,810)	(6,265)
Net cash provided by (used for) operating activities	42,656	(495)	35,996	78,157	122,003
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Collection of taxes	—	—	40,064	40,064	—
Transfer to other funds	—	—	(76,237)	(76,237)	(36,519)
Transfer from other funds	9,091	—	384	9,475	3,734
Proceeds from interfund loans/advances	—	—	75	75	2,370
Payment of interfund loans and advances	—	—	(431)	(431)	(2,836)
Proceeds from bonds and notes	—	68,707	—	68,707	—
Payment of principal and interest on bonds and notes	—	(90,890)	1	(90,889)	(378)
Grant receipts and Federal indirect cost recoverable	19,705	—	39	19,744	—
Net cash provided by (used for) noncapital financing activities	28,796	(22,183)	(36,105)	(29,492)	(33,629)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from insurance	—	—	—	—	689
Payment of principal and interest - capital related	—	—	(457)	(457)	(3,758)
Acquisition of capital assets	—	—	(2,280)	(2,280)	(11,685)
Proceeds from sale of capital assets	—	—	48	48	791
Net cash provided by (used for) capital and related financing activities	—	—	(2,689)	(2,689)	(13,963)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sale (purchase) of investments	—	—	(183)	(183)	(6,881)
Proceeds (loss) on sales or maturities of investments	—	7,523	—	7,523	—
Proceeds (loss) from securities lending transactions/ investments	—	—	1	1	2
Interest and dividends on investments	6,725	17	1,084	7,826	1,552
Collections of principal and interest on loans	—	24,373	—	24,373	—
Cash payment for loans	—	(20,359)	—	(20,359)	—
Net cash provided by (used for) investing activities	6,725	11,554	902	19,181	(5,327)
Net increase (decrease) in cash and cash equivalents	78,177	(11,124)	(1,896)	65,157	69,084
Cash and cash equivalents, July 1	390,303	16,055	147,149	553,507	230,105
Cash and cash equivalents, June 30	\$ 468,480	\$ 4,931	\$ 145,253	\$ 618,664	\$ 299,189

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 93,899	\$ 292	\$ 31,219	\$ 125,410	\$ 106,972
<b>Adjustments to reconcile operating income to net cash provided for (used for) operating activities:</b>					
Depreciation	—	—	1,088	1,088	14,130
Amortization	—	—	1,502	1,502	1,208
Investment earnings	(6,725)	(18)	132	(6,611)	911
Securities lending income	—	—	(1)	(1)	(2)
Financing income	—	(1,127)	—	(1,127)	—
Interest expense	—	434	68	502	402
Other revenue	(3,346)	—	—	(3,346)	8,554
<b>Change in assets, deferred outflows, liabilities and deferred inflows:</b>					
Decr (Incr) in accounts receivable	764	—	(1,532)	(768)	(2,394)
Decr (Incr) in due from other funds	—	—	(79)	(79)	(362)
Decr (Incr) in due from other governments	198	—	365	563	(173)
Decr (Incr) in inventories	—	—	315	315	(1,507)
Decr (Incr) in other assets	—	—	(16)	(16)	74
Incr (Decr) in accounts payable	(42,135)	(1)	(238)	(42,374)	2,992
Incr (Decr) in due to other funds	—	—	7,281	7,281	(15)
Incr (Decr) in lottery prizes payable	—	—	(73)	(73)	—
Incr (Decr) in unearned revenue	—	—	(207)	(207)	(206)
Incr (Decr) in amounts held in custody for others	—	—	—	—	(45)
Incr (Decr) in compensated absences payable	—	(15)	23	8	(580)
Incr (Decr) in total OPEB liability and related accounts	—	5	(317)	(312)	(1,220)
Incr (Decr) in estimated claims	—	—	(3,188)	(3,188)	(7,176)
Incr (Decr) in other payables	—	(6)	1	(5)	521
Incr (Decr) in net pension liability and related accounts	—	(59)	(347)	(406)	(81)
Net cash provided by (used for) operating activities	\$ 42,655	\$ (495)	\$ 35,996	\$ 78,156	\$ 122,003
<b>Schedule of noncash transactions:</b>					
Capital asset acquisitions from contributed capital	\$ —	\$ —	\$ 988	\$ 988	\$ 666
Incr (Decr) in fair value of investments	—	(1)	1,315	1,314	2,734
Total noncash transactions	\$ —	\$ (1)	\$ 2,303	\$ 2,302	\$ 3,400

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 JUNE 30, 2022  
 (amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
<b>ASSETS</b>				
Cash/cash equivalents (Note 3)	\$ 169,640	\$ 31,998	\$ 1,810,291	\$ 8,956
Receivables (net):				
Accounts receivable	27,912	—	—	1,282
Interest	164	—	1,816	2
Due from primary government	37,558	—	—	—
Due from other PERB plans	848	—	—	—
Long-term loans/notes receivable	6	—	—	—
Total receivables	66,488	—	1,816	1,284
Investments at fair value:				
Equity in pooled investments (Note 3)	13,351,527	—	12,258	—
Other investments (Note 3)	941,838	187,772	—	—
Total investments	14,293,365	187,772	12,258	—
Securities lending collateral (Note 3)	138,139	—	187	—
Capital Assets:				
Buildings/improvements	315	—	—	—
Equipment	133	—	—	—
Accumulated depreciation	(222)	—	—	—
Right to use lease buildings	7,660	—	—	—
Accumulated amortization	(510)	—	—	—
Intangible assets	2,924	—	—	—
Total capital assets	10,300	—	—	—
Other assets	—	7,007	—	1,786
Total assets	14,677,932	226,777	1,824,552	12,026
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,014	—	—	—
<b>LIABILITIES</b>				
Accounts payable	1,774	9	1,765	286
Due to other governments	—	—	—	670
Due to other PERB plans	848	—	—	—
Unearned revenue	71	—	—	—
Securities lending liability (Note 3)	138,139	—	187	—
Compensated absences payable	743	—	—	—
Due to primary government - leases (Note 10)	7,309	—	—	—
Net pension liability (Note 6)	1,417	—	—	—
Total OPEB liability (Note 7)	667	—	—	—
Total liabilities	150,968	9	1,952	956
<b>DEFERRED INFLOWS OF RESOURCES</b>	893	—	—	—
<b>NET POSITION</b>				
Restricted for:				
Pensions	13,938,182	—	—	—
Postemployment benefits other than pensions	588,903	—	—	—
Pool participants	—	—	1,822,600	—
Individuals, organizations, and other governments	—	226,768	—	11,070
Total net position	\$ 14,527,085	\$ 226,768	\$ 1,822,600	\$ 11,070

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
<b>ADDITIONS</b>				
Contributions/premiums:				
Employer	\$ 295,242	\$ —	\$ —	\$ —
Employee	274,784	—	—	—
Other contributions	128,854	23,094	1,267,661	—
Investment earnings:				
Net increase (decrease) in fair value of investments	(695,977)	(25,522)	(3,583)	(3)
Interest, dividends, and other	38,617	—	6,045	5
Securities lending income	1,453	—	1	—
Total investment earnings	(655,907)	(25,522)	2,463	2
Less investment costs:				
Administrative investment expense	98,765	—	—	—
Securities lending expense	318	—	—	—
Net investment earnings	(754,990)	(25,522)	2,463	2
Charges for services	615	—	—	—
Other additions and miscellaneous	1,723	8,707	—	42,392
Total additions	(53,772)	6,279	1,270,124	42,394
<b>DEDUCTIONS</b>				
Benefits	1,107,093	—	—	—
Refunds	33,342	—	—	—
Distributions	—	31,492	1,315,064	40,418
Administrative expenses	13,200	795	—	—
Local assistance	12	—	—	—
Transfers to MUS-RP	231	—	—	—
Transfers to PERS-DCRP	2,385	—	—	—
Total deductions	1,156,263	32,287	1,315,064	40,418
Change in net position	(1,210,035)	(26,008)	(44,940)	1,976
Net position - July 1 - as previously reported	15,737,126	275,533	1,867,540	9,094
Adjustments to beginning net position (Note 2)	(6)	(22,757)	—	—
Net position - July 1 - as adjusted	15,737,120	252,776	1,867,540	9,094
Net position - June 30	\$ 14,527,085	\$ 226,768	\$ 1,822,600	\$ 11,070

The notes to the financial statements are an integral part of this statement.



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the State of Montana (State) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

#### A. Reporting Entity

For financial reporting purposes, the State includes funds that comprise the primary government and its component units. The component units are entities that the State is financially accountable for, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body, and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

#### Discretely Presented Component Units

These component units are entities that are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The condensed financial statements, presented in Note 18, include the financial data of the entities listed below.

Complete financial statements for each of the individual discretely presented component units, which are separately issued and audited, may be obtained at the following addresses:

Montana Board of Housing  
301 South Park, Room 240  
PO Box 200528  
Helena, MT 59620-0528

Montana State Fund  
855 Front Street  
PO Box 4759  
Helena, MT 59604-4759

Facility Finance Authority  
2401 Colonial Drive, 3<sup>rd</sup> Floor  
PO Box 200506  
Helena, MT 59620-0506

Universities and Colleges  
Commissioner of Higher Education  
560 North Park Ave, 4<sup>th</sup> Floor  
PO Box 203201  
Helena, MT 59620-3201

Montana Reinsurance Association  
Montana Commissioner of Securities and Insurance  
840 Helena Avenue  
Helena, MT 59601

Montana Board of Housing (MBOH) – MBOH, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget, the rate or fee changes affecting revenues, and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of MBOH. The board was created in 1975 to facilitate the availability of safe and affordable housing to persons and families of lower-income. MBOH issues negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$1.5 billion. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. MBOH is attached to the Department of Commerce for administrative purposes only. MBOH is audited annually by the State's Legislative Audit Division.

Facility Finance Authority (FFA) – FFA, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget, the rate or fee changes affecting revenues, and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of FFA. FFA assists eligible, nonprofit Montana health care and other community-based service providers to obtain and maintain access to the broadest range of low-cost capital financing as possible. FFA issues revenue bonds to fulfill its purposes. Neither the faith and credit or taxing power of the State of Montana may be pledged for the amounts so issued. FFA is also the administrator for Montana's Commercial Property Assessed Capital Enhancement Program (C-PACE) which provides Montana businesses with access to private capital to finance energy and water efficiency and renewable energy improvements. FFA is attached to the Department of Commerce for administrative purposes only. Individual financial reports are issued every two years and are audited by the State's Legislative Audit Division.

Montana State Fund (MSF) – MSF is a nonprofit, independent public corporation established under Title 39, Chapter 71 of the Montana Code Annotated (MCA). MSF provides Montana employers with an option for workers' compensation and occupational disease insurance and guarantees available coverage for all employers in Montana. MSF is governed by a seven-member Board of Directors appointed by the Governor with the advice and consent of the Senate. This Board has full power, authority, and jurisdiction in the administration of MSF. MSF's results are included in the State's Annual Comprehensive Financial Report because of the significance of MSF's financial relationship with the State. MSF's board is allocated to the Department of Administration for administrative purposes only. MSF is reported on a calendar year basis and is audited annually by the State's Legislative Audit Division and is also regulated by the Montana State Auditor's Office as an authorized insurer that is subject to the provisions of Title 33, Montana Insurance Code.

MSF functions as an autonomous insurance entity supported solely from its own revenues. All assets, debts, and obligations of MSF are separate and distinct from assets, debts, and obligations of the State of Montana. If MSF is dissolved by an act of law, the assets held by MSF are subject to the disposition provided by the Legislature enacting the dissolution with due regard given to obligations incurred and existing (Section 39-71-2322, MCA).

MSF administers the claims of Montana State Fund and State of Montana (Old Fund), including determining who a claimant is; what, if any, claims will be paid; and the amount of claims allowed to be paid. Old Fund covers workers' compensation claims that were incurred before July 1, 1990, and is reported within the governmental activities of the primary government, on the government-wide financial statements.

Universities and Colleges – The Montana Constitution, Article X, Section 9, grants governance authority over the Montana University System (MUS) to the Board of Regents (Board), with seven members appointed by the Governor and confirmed by the Senate. All state funds appropriated by the Legislature to the Board for the support of the MUS are channeled through the Office of the Commissioner of Higher Education (OCHE). The Constitution charges the Board with hiring a Commissioner of Higher Education who serves as its executive staff. OCHE is the state-level administrative organization of the MUS.

The Board has responsibility for the following institutions: Montana State University - Bozeman and the units under it including Montana State University - Billings, Montana State University - Northern, and Great Falls College Montana State University; and University of Montana - Missoula and the units under it including Montana Technological University, University of Montana - Western, and Helena College University of Montana. All units are funded through state appropriations, tuition, federal grants, and private donations and grants. The universities are audited annually by the State's Legislative Audit Division.

Though the following organizations perform functions related to the MUS, they are not considered part of Montana's reporting entity: (1) Community Colleges which are considered part of local units of government; (2) the Montana Higher Education Student Assistance Corporation, a private nonprofit



corporation; and (3) the Student Assistance Foundation of Montana, a private nonprofit corporation. Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The state and federal support of local public education systems is reported in the General Fund, the State Special Revenue Fund, and the Federal Special Revenue Fund.

Montana Reinsurance Association (MRA) – In April 2019, the State of Montana enacted the Montana Reinsurance Association Act (Act) establishing MRA as a nonprofit, legal entity and creating a reinsurance program to stabilize the individual health insurance market. The Act authorized the State to apply for a State Innovation Waiver under Section 1332 of the Patient Protection and Affordable Care Act (ACA). The Act is established under Title 33, Chapter 22, Part 13 of the Montana Code Annotated (MCA).

On June 19, 2019, the State applied for an Innovation Waiver under Section 1332 seeking to implement a reinsurance program. On August 16, 2019, the United States Departments of Health and Human Services and Treasury approved Montana's State Innovation Waiver, effective from January 1, 2020, through December 31, 2024.

The Reinsurance Program is funded through federal pass-through funding (awarded on an annual basis) and annual association member assessments (1.2% of a member insurer's total premium volume covering Montana residents from the prior calendar year, as defined in Section 33-22-1313, MCA).

MRA is governed by a five-member board consisting of three directors, one each from the eligible health insurers with the largest enrollment in the individual market, one insurer director appointed by the Commissioner of Insurance, and one director appointed by the Governor.

MRA's financial results are included in the State's Annual Comprehensive Financial Report because of the significance of MRA's financial relationship with the State. The Commissioner of Insurance is responsible for overseeing the activities of the MRA and the board. MRA reports on a calendar year basis, must be audited by an independent certified public accountant annually, and may be audited by the State's Legislative Audit Division.

### **Fiduciary Fund Component Units**

Complete financial statements for each of the individual fiduciary fund component units may be obtained at the following addresses:

Teachers' Retirement System  
100 North Park Avenue, Suite 110  
PO Box 200139  
Helena, MT 59620-0139

Public Employees' Retirement Board  
100 North Park Avenue, Suite 200  
PO Box 200131  
Helena, MT 59620-0131

Teachers' Retirement System (Pension Trust Fund) – This retirement plan is a legally separate entity with a board appointed by the Governor. Its purpose is to provide retirement, disability, death, and lump-sum payments to benefit recipients of Montana's public teaching profession. The plan is funded from employer and employee contributions, investment earnings, and the State's General Fund. The benefit payments and administrative costs of the Teachers' Retirement System are paid from the same funding sources. The system is audited annually by the State's Legislative Audit Division. Further detail related to the Teachers' Retirement System is provided in Note 6.

Public Employees' Retirement Board (Pension and Other Employee Benefit Trust Funds) – The Public Employees' Retirement Board (PERB) is appointed by the Governor and administers nine retirement plans for the purpose of providing retirement, disability, death, and lump-sum payments to plan members. These legally separate plans include the Public Employees' Retirement Plan – Defined Benefit and Defined Contribution and the associated education funds; the Judges'; the Highway Patrol Officers'; the Sheriffs'; the Game Wardens' and Peace Officers'; the Municipal Police Officers'; the Firefighters' Unified Retirement Systems; and the Volunteer Firefighters' Compensation Act retirement plans. The board also administers one Other Post-Employment Benefit (PERS-DCRP Disability OPEB) disability plan on behalf

of Public Employees' Retirement Plan-Defined Contribution members, and one other employee benefit plan (457(b) Plan). The board is audited annually by the State's Legislative Audit Division. Further detail related to PERB is provided in Note 6 and its OPEB plan information in Section F of Note 7.

## **B. Government-wide and Fund Financial Statements**

The government-wide financial statements, Statement of Net Position and Statement of Activities, report information on all of the non-fiduciary activities of the State of Montana and its component units. For the most part, the impact of interfund activity has been removed from these statements. Governmental activities, which are normally supported by fees, taxes, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the State of Montana is reported separately from certain legally separate component units for which the State is financially accountable.

The Statement of Activities demonstrates the degree to which program revenues offset the direct expenses of a function. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expense reported for the individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues. The State does not allocate indirect expenses to functions in the Statement of Activities.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Fiduciary fund statements are reported only in the fund financial statements.

## **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

### **Government-wide, Proprietary, and Fiduciary Fund Financial Statements**

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned; expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider are met.

As a general rule, material interfund revenues and expenses have been eliminated from the government-wide financial statements. These have not been eliminated where their elimination would distort the direct costs and program revenues of the functions involved.

### **Governmental Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are realizable, measurable, earned, and available. Revenue is considered realizable when it is probable the amount will be collected. Revenue is considered measurable and realizable if the precise amount is known because the transaction is completed, or if there is enough information to provide a reasonable estimate of the net realizable revenue to be received. Revenue is considered to have been earned when the exchange of goods or services has taken place. Revenue is considered to be available if it is collectible within the current period or soon enough thereafter, to pay liabilities of the current period. For this purpose, the State considers revenue available if it is expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures relating to compensated absences, claims, and judgments are recorded only when payment is due.

The major revenue sources considered susceptible to accrual are licenses and permits, natural resource taxes, individual income taxes, corporate income taxes, property taxes, fuel taxes, and certain federal revenues (reimbursable grants and U.S. mineral royalties). All other revenue is considered to be measurable and available when the cash is received.

### **Fund Financial Statements**

The State uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State of Montana are classified into fund categories as described below:

### **Governmental Funds**

General Fund – To account for all governmental financial resources, except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes other than major capital projects. (1) The State Special Revenue Fund accounts for activities funded from state resources used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Several funds are defined in statute as Permanent Funds, however per GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), these funds should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a \$94.6 million increase. One specific fund is defined in statute as a Federal Special Revenue Fund; however, per GASB 54, this fund should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a \$27.1 million increase. (2) The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

Debt Service Funds – To account for resources accumulated for payment of principal and interest on general long-term obligation debt.

Capital Projects Funds – To account for resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Permanent Funds – To account for resources that are permanently restricted to the extent that only earnings, not principal, may be used to support the government's programs. Several funds are defined in statute as Permanent Funds, however per GASB 54 these funds should be reported within the State Special Revenue Fund as noted above.

### **Proprietary Funds**

Enterprise Funds – To account for operations: (1) financed and operated similar to private business enterprises, where the intent of the Legislature is to finance or recover costs primarily through user charges; (2) where the Legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate; (3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (4) when laws or regulations require that the activities' costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. The primary focus of fee revenues charged by enterprise funds is users outside of the primary government. One specific fund is defined in statute as an Enterprise Fund, however, per GASB 34, this fund should be reported within Internal Service Funds. The respective effect on net position is approximately a \$6.0 million increase.

Internal Service Funds – To account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

The State of Montana reports two employee group benefits funds. The MUS Group Insurance Fund primarily charges its fees to Montana State University and the University of Montana. The universities are reported as discretely presented component units, which the State considers to be external users, and as such, reports the MUS Group Insurance Fund as an enterprise fund. The Employee Group Benefits Fund charges its fees to funds of the primary government, and as such, is reported as an internal service fund.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, or other governments. These assets cannot be used to support the government's own programs.

Pension (and Other Employee Benefit) Trust Funds – To account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit retirement plans, defined contribution retirement plans, other employee benefit plans, and other post-employment benefit plan. Plan members receive retirement, disability, death, and lump-sum payments from the fund. Further detail related to the individual plans is provided in Note 6 and Section F of Note 7.

Private-Purpose Trust Funds – To account for assets held by the State in a trustee capacity, where both the principal and earnings benefit individuals, private organizations, or other governments. For example, unliquidated security bonds held on deposit from self-insured employers.

Investment Trust Fund – To account for the receipt of monies and the distribution of related investment earnings to local government agencies by the Montana Board of Investments for investment in the Short Term Investment Pool (STIP) and Trust Fund Investment Pool (TFIP).

Custodial Funds – To account for transactions related to assets held by the State as an agent for individuals, private organizations, and other governments. For example, monies belonging to one parent submitted by another, as is the case with child support payments.

### **Major Governmental Funds**

The General Fund is the State's primary operating fund, as previously defined.

The State Special Revenue Fund accounts for activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

The Coal Severance Tax Fund, created by Article IX, Section 5 of the Montana State Constitution, receives 50% of all coal tax collections. The principal in this fund can be expended only upon an affirmative vote of three-fourths of each house of the Legislature.

The Land Grant Permanent Fund accounts for lands granted to the State for support of public schools and state institutions.

### **Major Enterprise Funds**

The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients. Due to unprecedented claim costs during the pandemic, additional federal contributions were made in fiscal year 2022 to help keep employer unemployment insurance contribution rates stable.

The Board of Investments (BOI) Municipal Finance Programs Fund accounts for the programs created under the Municipal Finance Consolidation Act (MFCA) and the Economic Development Act. Primarily, this involves a MFCA revolving loan program that provides variable low interest rate loans to eligible Montana State agencies, universities, and local governments for a variety of projects statutorily defined.

The funding for the revolving loan program is from the issuance of put bonds. The MFCA program also provides local government entities access to tax-exempt funds through the issuance of conduit (no-commitment) debt. Separately issued financial statements may be obtained by contacting the Montana Board of Investments, 2401 Colonial Drive, 3<sup>rd</sup> Floor, PO Box 200126, Helena, MT 59620-0126.

#### **D. Proprietary Activity Accounting and Financial Reporting**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating.

#### **E. Cash/Cash Equivalents**

For all funds, cash and cash equivalents consist of amounts deposited in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool (STIP), cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents, which are short-term, highly liquid investments with original maturities of three months or less. Further detail related to cash and cash equivalents is provided in Note 3.

#### **F. Receivables**

This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided; short-term loans and notes; interest and dividends; taxes due within 60 days of fiscal year-end; and income, withholding, and inheritance taxes that are past due. An allowance for uncollectible taxes is provided based upon historical analysis. Further detail related to receivables is provided in Note 4.

#### **G. Inventories**

Inventories of materials and supplies are reported at cost. The State allows agencies to use any generally accepted inventory pricing method but specifies the first-in, first-out method generally to be appropriate for most agencies. Governmental funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end, inventory balances are shown as nonspendable, indicating they do not constitute available expendable resources. Proprietary and fiduciary funds report using the "consumption method," meaning inventories are expensed as used.

#### **H. Equity in Pooled Investments**

To account for equity in pooled investments, BOI uses one internal investment pool and one external investment pool. The internal investment pool is the Consolidated Asset Pension Pool (CAPP). The State's nine defined benefit pension trust funds are the only participants in CAPP. The external investment pool is the Trust Funds Investment Pool (TFIP). State agencies and qualifying local governments can participate in TFIP. Current State agency TFIP participation is within the enterprise funds, internal service funds, permanent funds, investment trust funds, Montana University System Units, and specific accounts established within the State and Federal Special Revenue Funds. The participant investments in the pools are reported at fair value in the assets within the individual funds. Further detail related to cash and cash equivalents and investments is provided in Note 3.

#### **I. Investments**

For agencies whose investment needs are not met by BOI's established investment pools, BOI provides separate investments, which are combined and reported as Separately Managed Accounts (SMA). SMA participants have direct fixed income, equity, and Montana mortgage and loan investments. SMA investments are reported at fair value. Certain securities including asset-backed securities, variable-rate instruments, zero-coupon bonds, preferred stocks, and mortgage-backed securities are purchased for

portfolio diversification and a competitive rate of return. Other State agencies, on a limited basis by statute, may administer other long-term investments. Most investments are reported at fair value on the Statement of Net Position. Further detail related to investments is provided in Note 3.

#### **J. Capital Assets**

Capital asset valuation is based on actual historical cost or, in the case of donations, acquisition value. General government infrastructure capital assets are capitalized and reported on the government-wide financial statements. Interest incurred during the construction of capital assets is expensed. Infrastructure assets of proprietary funds are capitalized on the fund financial statements. The State has chosen to use the depreciation approach for infrastructure assets. The State reports accumulated depreciation on the Statement of Net Position and depreciation expense on the Statement of Activities for these assets. Further detail relating to capital assets is provided in Note 5.

Capital assets in proprietary, private-purpose trust, and pension trust funds are accounted for within their respective funds and are depreciated or amortized on their fund financial statements. Capital assets in governmental funds are accounted for in the governmental activities of the government-wide financial statements, as are the associated depreciation and amortization. Depreciation is on a straight-line basis, with estimated useful lives of 25 to 60 years for buildings, 10 to 50 years for infrastructure, 7 to 20 years for building improvements, and 3 to 10 years for equipment. State agencies are also required to extend or shorten the useful lives of capital assets to reflect their actual experience or industry standards when appropriate. Amortization is on a straight-line basis with estimated useful lives of 4 years for software (internally and externally generated), 30 years for land use rights, and 20 years for other intangibles.

The capitalization limit for buildings and building/land improvements is \$25.0 thousand. The capitalization threshold for infrastructure and internally-generated software is \$500.0 thousand. The capitalization threshold for intangible and right-to-use lease assets is \$100.0 thousand. The capitalization limit for other capital assets is \$5.0 thousand. Agencies are allowed to capitalize additions to collections and land acquisitions at any cost. Purchases below these thresholds are recorded as expenditures/expenses in the current period.

#### **K. Deferred Outflows, Deferred Inflows, and Unearned Revenue**

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows and inflows of resources may include financial transactions related to refunding debt, non-exchange transactions, derivative investments, and OPEB, and pension related components; and are reported on the government-wide, proprietary fund, and fiduciary fund financial statements. Additionally, deferred inflows of resources may include financial transactions related to unavailable revenue on the governmental fund financial statements. Unavailable revenue is reported when assets are recognized, but those assets are not considered available to pay liabilities of the current period. Unearned revenue, which is neither a deferred outflow of resources nor a deferred inflow of resources; is recognized as a liability on government-wide, governmental, and proprietary fund financial statements. Further detail related to deferred outflows of resources and deferred inflows of resources is provided in Note 4.

#### **L. Long-term Obligations**

Long-term obligations expected to be financed from governmental funds are reported on the government-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from current expendable available financial resources is reported as a fund liability of a governmental fund on the fund financial statements. The remaining portion of such obligations is reported on the government-wide financial statements. Long-term liabilities expected to be financed from proprietary and fiduciary fund operations

are accounted for in those funds. Further detail related to leases/financed purchases payable and long-term liabilities is provided in Note 10 and Note 11, respectively.

### **M. GASB 87 Leases**

According to GASB Statement No. 87 *Leases* (GASB 87), a lease is a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

For the State as lessee at the commencement of the lease term, on the government-wide, proprietary fund, and fiduciary fund financial statements, a lease liability is recorded at the present value of payments expected during the lease term; and an intangible right-to-use lease asset is recorded at the sum of the lease liability, certain direct costs, and lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term.

The intangible right-to-use lease asset is amortized on a straight-line basis over the shorter of the asset useful life or the lease term, unless a purchase option is reasonably certain to be exercised. In such cases, amortization will be straight-line for the asset's useful life; however, if the underlying asset is nondepreciable, no amortization will be recorded. On the governmental fund financial statements, no intangible right-to-use lease asset or lease liability is recorded. Governmental funds instead record capital outlay expenditures and other financing sources, at the commencement of a lease, at net present value of the expected payments during the lease term. If the undiscounted value of payments plus certain direct costs and lease payments made to the lessor at or before the commencement of the lease term are less than \$100.0 thousand, lease accounting is not required and payments are treated as outflows of resources.

The State uses an estimated incremental borrowing rate as the discount rate for leases unless the rate is explicitly stated in the contract or known. The incremental borrowing rate is the rate for the Montana Board of Investments INTERCAP loan program in effect on July 1 of the fiscal year the lease commences. Many lease contracts include increases to rent payments related to the consumer price index (CPI) or similar indices, and the available index increase is included in the present value at the commencement of the lease or upon remeasurement.

For the State as lessor at the commencement of the lease term, on the government-wide and fund financial statements, a lease receivable is recorded at the present value of lease payments expected to be received during the lease term; and a deferred inflow of resources is recorded at the sum of the value of the lease receivable and any payments received at or before the commencement of the lease term that relate to future periods. If the undiscounted value of payments that may be received from the lessee are less than \$100.0 thousand, lease accounting is not required and payments are treated as inflows of resources.

Payments based on future performance are not included in the measurement of the lease liability or lease receivable but recognized as revenue or expense in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised. Further detail related to GASB 87 leases is provided in Note 10.

### **N. Non-GASB 87 Leases**

According to GASB 87, the statement does not apply to leases of intangible assets, leases of biological assets, contracts that meet the definition of a service concession arrangement (GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements* (GASB 60)), leases defined as short-term leases (under a year), leases that are under the threshold for GASB 87 recognition (see M), and transfer of ownership contracts. In addition to those exclusions, for leases when the State is a lessor, GASB 87 lease recognition and measurement provisions do not apply to certain regulated leases or when the underlying asset of the lease meets the requirements in GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) to be reported as an investment measured at fair value. For the State as both a lessee and lessor, short-term lease payments and those under the threshold identified in M. above, are recognized as payments of outflows of resources or receipts of inflows of resources.

## **O. Financed Purchases**

A financed purchase is a contract that transfers ownership of an underlying asset to the purchaser by the end of the contract and does not contain termination options. Provisions that end a contract for the following reasons are not considered termination options: Payment of all sums due, Default on payments, or a fiscal funding or cancellation clause that is not reasonably certain of being exercised. If the contract does contain a termination option, it should be considered a lease and should be accounted for in accordance with the State's lease policies. The threshold for recording a financed purchase is the threshold for recording the asset type associated with a financed purchase. Further detail related to financed purchases is provided in Note 10.

## **P. Bond Discounts/Premiums/Issuance Costs**

Bond premiums and discounts, as well as issuance costs, are recognized in the period they are incurred. Bond issued and bond premiums are reported as other financing sources, and bond discounts are reported as an other financing use. Issuance costs are reported as debt service expenditures whether or not they are withheld from the bond proceeds. Bonds payable are recorded net of any applicable premium or discount. Further detail related to long-term debt is provided in Note 11.

## **Q. Compensated Absences**

Full-time state employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Teachers employed by the State do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Each contribution year, an employee may contribute a maximum of 80 hours of sick or annual leave to a nonrefundable sick leave pool. Excess annual leave that is being forfeited can also be contributed, with no maximum contribution. For fiscal year 2022, 1,406 sick leave hours, 169 annual leave hours, and 2,742 excess annual leave hours were contributed to the sick leave pool, and 3,531 hours were withdrawn, leaving a balance of 18,984 hours in the pool. The liability associated with the pool is not reported in the accompanying financial statements because these hours are nonrefundable to contributors, except by grants approved through an application process.

Vested or accumulated leave for proprietary and fiduciary funds is recorded as an expense and liability of those funds in the fund financial statements. For governmental funds, the liability is not expected to be liquidated with expendable financial resources. The expenditure and liability for the governmental funds is reported only on the government-wide financial statements. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave. Further detail related to compensated absences is provided in Note 11.

## **R. Nonexchange Financial Guarantee**

According to GASB Statement No. 70 *Accounting and Financial Reporting For Nonexchange Financial Guarantees* (GASB 70), governments may extend financial guarantees for the obligations of another government, a not-for profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Further detail related to nonexchange financial guarantees is provided in Note 11.

## **S. Fund Balance/Net Position**

### **Fund Balance**

The classifications for fund balance used for governmental funds are reported in two general classifications, nonspendable and spendable. Nonspendable represents the portion of fund balance that is legally or contractually required to remain intact or is not in spendable form such as inventories, and, in



the General Fund, long-term notes and loans receivable. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the State Constitution or external parties, such as the federal government, or through enabling legislation. For the purpose of determining restricted amounts, enabling legislation does not include commitments resulting from State legislation if these constraints can be removed or changed by a similar legislative action.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the State's Legislature, through legislation passed into law.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes. Still they do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by the executive branch. In governmental funds other than the General Fund, assigned fund balance also represents the remaining amount that is not restricted or committed. The assigned fund balance for the General Fund are encumbrances and assignments for the portion of current General Fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows in fiscal years as needed. The projected spend down for fiscal year 2023 is \$75.0 million; thus, a related assignment of fund balance is reported at 2022 fiscal year-end.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The State generally segregates restricted, committed, and assigned resources by account (sub-fund) within the governmental funds other than the General Fund. When resources meeting more than one of these spendable classifications are commingled in an account on the State's accounting system, the assumed order of spending is restricted first, committed second, and finally assigned. State statute requires non-General Fund money be spent first whenever possible so any related available unassigned balance would be spent last.

### **General Fund - Fund Balance**

As of June 30, 2022, the State maintains a Budget Stabilization Reserve Fund as required by statute. For financial reporting purposes, this fund is combined with the General Fund as it does not meet the GASB 54 requirements to be a special revenue fund as the Legislature prescribed. The June 30, 2022, committed fund balance in the General Fund of \$118.9 million, represents the Budget Stabilization Reserve Fund balance.

Additionally, statute provides a minimum fund balance amount as follows: Section 17-7-140, MCA, defines minimum ending fund balance and specifies the procedures that must be followed to make expenditure reductions or allow transfers from the Budget Stabilization Reserve Fund if a projected ending fund balance drops below minimum statutory requirements.

If the Budget Director determines that a deficit exists, statute requires reductions that must be made to assure that the projected ending fund balance complies with the minimum ending fund balance of General Fund appropriations for the biennium. Under circumstances when a deficit of this level is projected during a biennium, the Governor may direct reductions from any General Fund expenditure not exempted by Section 17-7-140, MCA, including House Bill (HB) 2 (the State's main appropriation bill), any other appropriation bills, statutory appropriations, or language appropriations. Reductions may not exceed 10% of General Fund appropriations for any single "program," as defined in HB 2. If a program has more than one appropriation, the reduction for one or more of the appropriations may exceed 10% as long as the reduction for the program as a whole does not exceed 10%.

The Legislative and Judicial branches, the Montana School for the Deaf and Blind, principal and interest on State debt, salaries of elected officials, and public school BASE funding are exempt, statutorily, from reductions. These exemptions shield approximately one-third of General Fund appropriations from reduction. Of the remaining expenditures, the Governor may not direct executive agencies headed by elected officials or the Board of Regents to reduce their expenditures by more than the average reduction percentage imposed upon all other executive branch agencies.

**Net Position**

In funds other than governmental, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in the capital assets portion of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reported restricted net position of \$4.2 billion.

Net position associated with the Unemployment Insurance Fund is classified as restricted. The majority of the restricted net position for other purposes business-type activities amounting to \$120.2 million is made up of \$86.0 million from MUS Group Insurance Fund and \$13.1 million from MUS Workers Compensation Fund. Certain investments of the Municipal Finance Programs Fund are also classified as restricted net position for other purposes as business-type activities and on the Statement of Fund Net Position for proprietary funds because applicable bond indenture agreements limit their use.

**T. Property and Income Taxes**

Real property taxes are normally levied in October and are usually payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due.

Personal property tax levies are set each August, and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice. Property tax payments are recognized as deferred inflows of resources if received prior to levy or availability.

Personal property taxes attach as an enforceable lien immediately if not paid when due. Each of Montana's 56 counties collect property taxes. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

**U. Other Taxes**

On the Statement of Activities, the revenue category “Other Taxes” consists of the following taxes (in thousands):

	General Fund	State Special Revenue	Other Governmental Funds	Business-Type Funds	Total
Accommodations	\$ 45,139	\$ 63,214	\$ 11,889	\$ 34	\$ 120,276
Agriculture	—	8,102	—	—	8,102
Cannabis tax (medical/recreational) <sup>(1)</sup>	—	24,706	—	—	24,706
Car rental	6,934	2,311	—	—	9,245
Cigarette/tobacco	33,593	42,139	1,614	—	77,346
Contractors gross receipts	2,837	—	—	—	2,837
Energy tax	7,315	—	—	—	7,315
Fire protection	—	4,281	—	—	4,281
Insurance premium	97,898	53,600	—	—	151,498
Light vehicle registration	—	6,524	—	—	6,524
Liquor tax	5,774	2,352	—	40,030	48,156
Livestock	—	5,048	—	—	5,048
Other taxes	153	1,199	—	—	1,352
Public service commission	—	4,223	—	—	4,223
Railroad car companies	3,628	—	—	—	3,628
Telephone license	8,778	—	—	—	8,778
Video gaming	77,881	6	—	—	77,887
Total other taxes	\$ 289,930	\$ 217,705	\$ 13,503	\$ 40,064	\$ 561,202

<sup>(1)</sup> Fiscal year 2022 was the first year for recreational cannabis sales. In fiscal year 2021 medical cannabis was included with cigarette/tobacco etc.

**V. Tax Abatement**

In the Montana Board of Investment’s (BOI) Commercial Loan Program, within the Separately Managed Account, the infrastructure loan program is funded by an \$80.0 million allocation. Eligible local governments request a loan for constructing or purchasing infrastructure to be used by a basic sector business. The basic sector business will pay a user fee to the local government that is pledged to BOI for the loan repayment. BOI reviews each loan, and only upon verification that the entities meet the loan requirements is the loan approved by BOI. The local government entity must pass a resolution authorizing the acceptance of the commitment agreement. BOI indemnifies the local government regarding repayment of the loan.

To be eligible for the program, the basic sector business must create at least 15 full-time basic sector jobs. The maximum loan size is \$16.7 thousand multiplied by the number of full-time jobs created with a minimum loan size of \$250.0 thousand. The maximum loan term is 25 years. There is also up to a 2.5% interest rate reduction for job creation. The reduction will be reflected in the user fee rate charged to the basic sector business upon BOI review and approval. The basic sector business must create the required jobs within four years of the agreement. If the basic sector business does not create the required jobs within the four-year period, then the basic sector business must pay down the loan balance of the local government entity until the loan balance matches the eligible amount per the jobs created. BOI may increase the interest rate commensurate with the number of jobs eliminated if the borrower eliminates qualifying jobs. The basic sector business must annually provide payroll documentation to BOI.

Pursuant to statute, a business that is created or expanded as the result of an Infrastructure Loan is entitled to a credit against either their State individual income taxes or corporate income taxes for the portion of the fees attributable to the use of the infrastructure. The total amount of tax credit claimed may

not exceed the amount of the loan. The credit may be carried forward for seven years or carried back for three years.

During the fiscal year ended June 30, 2022, basic sector business entities made total user fee payments of \$4.0 million, representing \$3.5 million of principal and \$0.5 million in interest. During the fiscal year ended June 30, 2022, a total of \$5.1 million was claimed as a credit against the State individual and corporation tax liability. The following table details the fiscal year 2022 credit claimed by tax type and the tax year it was applied against (in thousands):

<b>Infrastructure Credit Claimed</b>			
	<b>Tax Year 2021</b>	<b>Tax Year 2020</b>	<b>Total</b>
Corporate income tax	\$ —	\$ 399	\$ 399
Individual income tax	66	4,654	4,720
Total amount claimed	<u>\$ 66</u>	<u>\$ 5,053</u>	<u>\$ 5,119</u>

#### **W. Irrevocable Split Interest Agreements**

Irrevocable split-interest agreements are used by donors to provide resources to two or more beneficiaries, including governments. These agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements. The University of Montana campuses have three irrevocable split interest agreements during the fiscal year ended June 30, 2022. Further detail related to these agreements is provided in Note 3.

## NOTE 2. OTHER ACCOUNTING CHANGES

### A. New Accounting Guidance Implemented

For the year ended June 30, 2022, the State of Montana implemented the provisions of GASB Statement No. 87, *Leases* (GASB 87). This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

For the year ended June 30, 2022, the State of Montana implemented the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89. This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense or an expenditure in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus or the current financial measurement focus, respectively.

For the year ended June 30, 2022, the State of Montana early implemented provisions of GASB Statement No. 99, *Omnibus 2022* (GASB 99) related to GASB 87. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The practice issues addressed by this statement include classification and reporting of financial guarantees and derivative instruments, extension of the use of LIBOR, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures of non-monetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in GASB Statements No. 34 and 87, and terminology updates related to GASB Statements No. 53 and 63. The early implementation of GASB 99 in conjunction with GASB 87 is for purposes related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

### B. Other Accounting Changes

In April 2019, the State of Montana enacted the Montana Reinsurance Association Act (Act) establishing Montana Reinsurance Association (MRA) as a nonprofit, legal entity. MRA is classified as a discretely presented component unit of the State of Montana. MRA reports on a calendar year basis. MRA's financial results are included in the State's Annual Comprehensive Financial Report beginning fiscal year 2022 because of the significance of MRA's financial relationship with the State. As a result of the change in reporting entity, a prior period adjustment of \$32.9 million was made to restate the beginning net position of MRA on both the Statement of Activities and the Condensed Statement of Activities. Further detail related to MRA and the financial impact of this change are provided in Note 1 and Note 18.

### C. Adjustments to Beginning Net Position

Prior to the implementation of GASB 87, capital leases were recorded with as liabilities and tangible capital assets. For the implementation of GASB 87 these balances were reversed as adjustments to beginning net position and the lease agreements were then recorded in accordance with the State's GASB 87 policies. The cumulative effect of these adjustments for the Statement of Activities was an increase to beginning net position of \$542.1 thousand for Governmental Activities and \$10.6 thousand for Business-Type Activities. The cumulative effect of these adjustments for the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position was an increase to beginning net position of \$10.6 thousand for Enterprise Funds and \$65.8 thousand for Internal Service Funds. Other adjustments for either Governmental Activities or Business-Type Activities relating to corrections of errors from prior periods.

**NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS**

This note details the following asset classifications (in thousands):

Cash/cash equivalents	\$	8,394,793
Equity in pooled investments	\$	16,089,695
Investments	\$	3,586,624

Carrying amounts for the bank balance for cash deposits and fair values for the State's cash equivalents and investments are presented in Tables 1 through 4.

**A. General**

Outside of statutory requirements, the State does not maintain a statewide risk policy for cash/cash equivalents or investments held outside of the Montana Board of Investments (BOI). The investment risk policy for State cash/cash equivalents and investments managed by BOI, have been detailed below.

BOI was created by the Legislature to manage the Unified Investment Program (UIP) established by the State Constitution. The UIP is comprised of involuntary participating state funds, including pensions, trusts, insurance, operating funds, and by statute voluntarily participating local government funds. BOI manages the UIP pursuant to the "Prudent Expert Principle" mandated by State law, which requires an investment manager to:

1. discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;
2. diversify the holdings of each fund within the UIP to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and
3. discharge the duties solely in the interest of and for the benefit of the funds forming the UIP.

BOI is not registered with the U.S. Securities and Exchange Commission as an investment company. BOI's investment program is governed by Investment Policy Statements (IPS) approved by BOI.

State agencies and local government entities may participate in one or more pools. By investing in pools, participants are provided broad diversification. State agencies may also have direct fixed income, equity, or loan investments. These investments are combined and reported as Separately Managed Accounts (SMA). Currently, only the nine retirement funds that participate in the Consolidated Asset Pension Pool (CAPP), the Defined Contribution Disability Plan, and the Montana State Fund (MSF) may invest in public corporate capital stock. Neither State law nor the State Constitution place restrictions on retirement fund investments. BOI approves a separate IPS for each pool and SMA participant, which provides BOI staff with a broad strategic framework under which the investments are managed. The IPS also reflects BOI approved asset allocation ranges.

By statute, local government entities can voluntarily invest in the Short Term Investment Pool (STIP). By statute, with a qualifying event, local government entities may also voluntarily invest in the Trust Funds Investment Pool (TFIP).

Separately issued investment pool financial statements may be obtained by contacting:

Montana Board of Investments  
2401 Colonial Drive, 3<sup>rd</sup> Floor  
PO Box 200126  
Helena, MT 59620-0126

BOI's separately issued UIP financial statements include the activity for MSF within SMA on a June 30, 2022, basis. MSF, a discretely presented component of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting periods, there will be

a variance between the note disclosures and the financial statements for cash/cash equivalents and investments.

**(a) Cash and cash equivalents** consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in STIP, cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents.

Cash deposited with the State Treasurer's pooled cash account is invested by BOI in short-term securities and other investments. Because these funds are immediately available to the individual funds, their investment in the pooled cash account is reported as a cash equivalent. BOI also manages STIP, which provides individual State agencies and local governments an opportunity to invest excess cash in a pool that is managed to preserve principal while providing 24-hour liquidity. Because these pooled funds are invested in short-term, highly liquid investments, the individual fund investments in the STIP are reported as a cash equivalent.

**(b) Investment securities** are reported by investment portfolio and type in Table 2 – Cash Equivalents, Table 3 – Equity in Pooled Investments, and Table 4 – Investments. Unrealized gains and losses are included as a component of investment income. Unrealized gains and losses are computed based on changes in the fair value of investments held from the beginning of the year, but unsold at the fiscal year-end. The net change in fair value of investments also consists of the realized gains or losses. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Investments reported at fair value are on a trade date basis. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. Alternative investment securities are valued using the most recent estimates of fair value from the investment managers. Fair value measurements are reviewed monthly, and third-party valuations are reviewed for reasonableness and compliance with approved price source authorization policy. BOI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Prices are determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.

Level 3 – Prices are determined using unobservable inputs, which generally results in BOI using the best information available and may include BOI's own data.

**(c) Security Lending** - BOI is authorized by law to lend its securities and has contracted with the custodial bank to lend BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. On any day, including June 30th, the markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. BOI and the custodial bank split the earnings 85% and 15%, respectively, on securities lending activities. BOI retains all rights and risks of ownership during the loan period. The custodial bank indemnifies BOI's credit risk exposure to the borrowers. The custodial bank does not have the ability to sell collateral securities unless the borrower defaults.

During fiscal year 2022, the custodial bank loaned BOI's public securities and received as collateral the following instruments:

- Cash (U.S. and foreign currency)
- Securities issued or guaranteed by the United States government or its agencies or instrumentalities
- Canadian provincial debt
- All other sovereign debt
- Convertible bonds

- U.S. and non-U.S. equities (which shall include (i) equity securities in the form of exchange-traded funds (“ETFs”) and, for the avoidance of doubt, shall include, but not be limited to, ETFs of the custodial bank or other custodial bank affiliates and (ii) American Depositary Receipts and Global Depositary Receipts)
- Covered bonds
- Preferred securities
- Certificates of Deposit
- Money market instruments
- Asset-backed securities
- Asset-backed commercial paper
- Commercial paper
- Collateralized mortgage obligations
- Mortgage-backed securities
- Supranationals
- Irrevocable bank letters of credit issued by a person other than the borrower or an affiliate of the borrower may be accepted as collateral, if the custodial bank has determined that it is appropriate to accept such letters of credit as collateral under the securities lending programs it administers
- Assets permissible under Rule 15c3-3 under the Exchange Act of 1934; and
- Such other collateral as the parties may agree to in writing from time to time

BOI has an established schedule with the custodial bank that identifies the minimum credit rating and margin requirements for each instrument:

Collateral Type	Minimum Credit Rating	Margin Requirement
US Treasuries, including Treasury Inflation Priced Securities		102%
US Federal Agency Debt, including agency mortgage-backed securities		102%
Municipal Bonds	A-/A3	105%
Canadian Provincial and Australian Semi-Regional Debt	A-/A3	105%
Asset-Backed Securities	AA-/Aa3	110%-115%
Collateralized Mortgage-Backed Securities	AA-/Aa3	110%-115%
Commercial Mortgage-Backed Securities	AA-/Aa3	110%-115%
Supranational Debt	AAA/Aaa	102%
Sovereign Debt	AA-/Aa3	102%
Sovereign Debt	A-/A3	105%
Commercial Paper, Certificates of Deposit, Banker's Acceptances and Time Deposits	A1/P1	105%
Corporate Debt	AA-/Aa3	102%-115%
Corporate Debt	BBB-/Baa3	102%-115%
Convertible Bonds (convertible on call against loans of underlying stock, only) Matched/Hedged	No Floor	105%
Convertible Bonds (U.S. issuers only) Outright	No Floor	110%-115%
Equities (generally traded on well-established exchanges)		108%-110%

BOI imposed no restrictions on the amount of securities available to lend during fiscal year 2022. However, STIP assets are currently not available for securities lending. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period that resulted in a declaration and notice of default of the borrower. There were no losses during fiscal year 2022 resulting from a borrower default. As of June 30, 2022, no securities were recalled and not yet returned.

The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in an investment fund, the Navigator Securities Lending Government Money Market (Navigator) portfolio.

BOI and the borrowers maintain the right to terminate all securities lending transactions on notice. Because the securities lending transactions were terminable at will, their duration did not generally match



the duration of the investments made with the cash collateral received from the borrower. The Navigator portfolio had an average duration of 1 day and the average weighted final maturity of 31 days.

**(d) Investment Pools and Separately Managed Accounts (SMA)** are described in the following paragraphs.

**Consolidated Asset Pension Pool (CAPP)**

The CAPP IPS contains prescribed asset allocation ranges among the allowable asset classes and is subject to change as BOI adopts modifications. BOI annually affirms or revises the asset allocation ranges for the retirement plans. The CAPP IPS also contains investment objectives and guidelines for each underlying asset class, with a purpose of providing diversified exposure within the asset class in a prudent and cost-effective manner.

Due to a longer-term focus, CAPP's asset classes differ from other classes that are allowable for other programs. CAPP's underlying asset classes are as follows:

- Domestic Equities
- International Equities
- Private Investments
- Real Assets
- Real Estate
- Core Fixed Income
- Non-Core Fixed Income
- Cash

The CAPP IPS is the only IPS that allows for investments that can be held in non-U.S. securities in a foreign currency. Per the CAPP IPS, the Core Fixed Income Asset Class and Non-Core Fixed Income Asset Class sections have maximum restrictions that can be held. Currency exposures may be hedged, in a defensive manner, at the discretion of the active managers to preserve the U.S. dollar value of investments made.

**Trust Funds Investment Pool (TFIP)**

The TFIP IPS provides for a 10% portfolio limit for non-core fixed income securities. TFIP invests primarily in investment grade, U.S. dollar denominated fixed income securities. The portfolio has high yield and core real estate exposure.

**Short Term Investment Pool (STIP)**

The STIP IPS limits the concentration of credit risk exposure by limiting portfolio investment types to 3.0% in any issuer except for U.S. Treasury and U.S. Agency securities as well as any repurchase agreements with a financial institution.

STIP invests primarily in short-term, high quality, fixed income securities with a maximum maturity of 397 days or less. Variable securities shall have a maximum maturity of 2 years. STIP shall maintain a dollar-weighted average portfolio maturity of 120 days or less. STIP is managed to preserve principal while providing 24-hour liquidity for state agency and local government participants.

BOI maintains a reserve account that may be used to offset losses within the STIP portfolio. The STIP reserve for the year ending June 30, 2022, is detailed as follows:

**STIP Reserve Activity**  
(in thousands)

Beginning STIP Reserve	\$ 54,212
Additions	
Investment Earnings:	
Net increase (decrease) on fair value of investments	117
Interest income	18
Transfer of daily STIP income	2,340
Recoveries from write-offs	407
Total investment earnings	<u>2,882</u>
Total STIP Reserve activity	<u>2,882</u>
Ending STIP Reserve	<u>\$ 57,094</u>

**Separately Managed Accounts (SMA)**

SMA invests primarily in investment grade, U.S. dollar denominated, fixed income securities and custodial bank interest bearing demand deposit account. However, one participant portfolio has exposure to core real estate and high yield fixed income. The SMA portfolio also includes Veteran's Home Loan Mortgages (VHLM) and loans funded by the Coal Severance Tax Trust Fund, as authorized by statute.

**(e) Investment Risk Disclosures** are described in the following paragraphs, with more detail provided in later sections.

Custodial Credit Risk (Cash and Cash Equivalents and Investments Held at Custodial Bank)

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, BOI's custodial bank must be rated at a minimum at the 6th highest investment grade rating by at least two Nationally Recognized Statistical Rating Organizations (NRSROs) on an annual basis.

As of June 30, 2022, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee name for BOI and held in the possession of BOI's custodial bank. The equity index funds, securities held at the State's depository bank, real estate, mortgage, and loan investments were purchased and recorded in BOI's name. Commingled fund investments are registered in the name of BOI. Therefore, BOI is not subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the U.S. government are excluded from the concentration of credit risk requirement. Concentration of credit risk is addressed within all IPS as set by BOI.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Except for U.S. Government securities, the pools and SMA fixed income instruments have credit risk as measured by NRSRO ratings. Credit risk is contemplated for each individual portfolio in the IPS. Credit risk is managed by constraining portfolio purchases around investment grade NRSRO ratings as appropriate. The U.S. Government guarantees its securities directly or indirectly. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit risk.

As of June 30, 2022, the CAPP's cash equivalents position held at its custodial bank, \$136.0 million was held in unrated money market funds.

As a matter of STIP investment policy, BOI can only purchase securities from a pre-approved "Approved Issuer" list. By STIP policy, permitted money market investments include only SEC registered 2a-7

Institutional Money Market Funds that are considered “U.S. Treasury” or “U.S. Government” money market mutual funds according to the SEC regulations or short-term investment vehicle available through the custodial bank. As of June 30, 2022, all the STIP money market investments were in U.S. Governmental money markets and \$153.0 million was held on deposit in a short-term investment vehicle available through the custodial bank.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. BOI uses effective duration as a measure of interest rate risk for all fixed income portfolios. CAPP, TFIP, and SMA investments at fair value are categorized to disclose credit and interest rate risk for fixed income securities. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using the weighted effective duration. NRSRO provides the credit ratings. According to the STIP investment policy, “The STIP portfolio will minimize interest rate risk by:

1. structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity;
2. maintaining a dollar-weighted average portfolio maturity (WAM) of 120 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities); and
3. STIP will maintain a reserve account.”

CAPP, TFIP, STIP, and SMA may hold fixed and variable rate securities. Interest payments on variable securities are based on an underlying reference rate, for example, Secured Overnight Financing Rate (SOFR).

STIP investments at fair value are categorized to disclose credit risk and weighted average maturity (WAM) as of June 30, 2022. Credit risk reflects the weighted security quality rating by investment type as of the June 30 report date. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. STIP has \$68.7 million of investments reported at cost that are not rated. STIP interest rate risk is determined using the WAM method. The WAM measure expresses investment time horizons (the time when investments are due or reset and payable in days, months, or years) weighted to reflect the dollar size of the individual investments within an investment type. Inclusive of cash and cash equivalents, the WAM averages 68 days for the portfolio. Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value as of June 30, 2022, BOI determined the cash equivalents have little discernible interest rate risk.

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BOI’s foreign currency exposure by denomination and investment type are reported, in U.S. dollars, at fair value and is limited to CAPP.

#### **Other Policy Considerations**

For other risk, BOI approves both the IPS and benchmark used for each portfolio. Per the CAPP IPS, the Core Fixed average duration will be maintained in a range within 20% of the benchmark duration. The Core Fixed Income PAC and Non-Core Fixed Income PAC average duration will be maintained in a range within 25% of the index duration. Per the TFIP IPS, the average duration will be maintained in a range within 20% of the benchmark duration. Interest rate risk for SMA is contemplated in each individual IPS and is managed by limiting the maturity of individual securities and/or matching liabilities to maturities per estimated cash flows.

#### Fair Value of Derivative Instruments

Within CAPP, the UIP invests in, currency forward contracts, credit default swaps, interest rate swaps, index futures (long and short duration), rights and warrants which are classified as investment derivative instruments. The investment derivative instruments decreased in fair value for the fiscal year ended June

30, 2022, by \$1.5 million. The derivative instruments had a fair value of \$(143.0) thousand as of June 30, 2022. The notional amount of the contracts was \$70.4 million.

**Investment Derivative Instruments as of June 30, 2022**  
(in thousands)

Security Investment Type	Classification	Changes in Fair Value Included in Investment Income	Fair Value	Notional Amount
Credit default swaps bought	Investment	\$ 430	\$ 132	\$ 4,405
Credit default swaps written	Investment	(1,190)	(454)	23,696
Currency Forward Contracts	Investment	412	92	39,162
Index Futures Short	Investment	266	—	(6,500)
Index Futures Long	Investment	(1,408)	—	4
Pay fixed interest rate swaps	Investment	21	21	1,620
Receive fixed interest rate swaps	Investment	7	2	7,947
Rights	Investment	1	42	4
Warrants	Investment	(34)	22	19
Totals		<u>\$ (1,495)</u>	<u>\$ (143)</u>	<u>\$ 70,357</u>

Counterparty Credit Risk - Derivative Instruments

Counterparty credit risk is the risk that the counterparty will not fulfill its obligations. The maximum amount of loss to BOI in case of default of all counterparties as of June 30, 2022 was \$742.0 thousand. The following table reflects BOI's applicable counterparty credit ratings and risk concentrations.

**Risk Concentrations - Credit Default Swaps as of June 30, 2022**

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
HSBC Bank USA	58%	A+	AA-	Aa3
UBS ICE	20%	A+	AA-	Aa3
Barclays Bank PLC Wholesale	10%	A	A+	A1
BNP Paribas SA	7%	A+	A+	Aa3
UBS LCH	4%	A+	AA-	Aa3
Citibank N.A.	1%	A+	A+	Aa3

## B. Cash/Cash Equivalents

**(1) Cash Deposits** – The State requires collateralization based on the average daily bank balance in the depository bank holding the main state bank account. For other depository banks, state statutes require collateralization at 50.0% of the bank balance. The cash deposits amount includes both primary government and component unit deposits.

**Table 1 – Cash Deposit Amounts**  
(in thousands)

	<b>Carrying Amount</b>
Cash held by State/State's agent	\$ 49,777
Uninsured and uncollateralized cash	4,638
Undeposited cash	636
Cash in U.S. Treasury	473,707
Cash in MSU component units	10,404
Cash in UM component units	15,988
Less: outstanding warrants	(76,001)
	<u>\$ 479,149</u>

**(2) Cash Equivalents** – consists of cash in the State Treasury invested by individual funds in the Short-term Investment Pool (STIP), the State Treasurer's pooled cash account, and in identifiable securities and investments considered to be cash equivalents. Cash equivalents, generally, are short-term, highly liquid investments with original maturities of three months or less that are measured at cost. Cash equivalents may be under the control of BOI or other agencies, as allowed by law.

**Table 2 - Cash Equivalents**  
(in thousands)

	<b>Fair Value</b>
Treasuries <sup>(1)</sup>	\$ 520,928
Asset backed commercial paper <sup>(2)</sup>	69,929
Corporate commercial paper <sup>(2)</sup>	838,725
Corporate notes <sup>(2)</sup>	253,992
Certificates of deposit <sup>(2)</sup>	752,070
Agency or government related <sup>(2)</sup>	1,242,500
Unrated INTERCAP bonds <sup>(2)(3)</sup>	68,707
Money market fund unrated	231,599
STIP cash equivalents <sup>(2)</sup>	3,883,530
Treasurer's cash pool cash equivalents <sup>(2)</sup>	169,000
Less: STIP Adjustments <sup>(4)</sup>	(115,336)
Total cash equivalents	<u>\$ 7,915,644</u>

<sup>(1)</sup> A portion is also included in the Investments Measured at Fair Value and NAV table.

<sup>(2)</sup> Also included in the Investments Measured at Fair Value and NAV table.

<sup>(3)</sup> Investments are measured at cost.

<sup>(4)</sup> Includes adjustments for STIP Reserve, STIP included in pooled investments, and holding classification differences.

As of June 30, 2022, local governments had invested \$1.8 billion, and component units of the State of Montana had invested \$360.9 million in STIP.

## STIP Cash Equivalent Credit Quality Ratings as of

June 30, 2022

(in thousands)

	<b>Total Cash Equivalents</b>	<b>Credit Quality Rating</b>
Agency or government related	\$ 196,111	A-1+
Asset backed commercial paper	2,750,228	A-1+
Corporate commercial paper	784,191	A-1+
Interest Bearing Demand Deposit Account (IBDDA)	153,000	NR
Total cash equivalents	<u>\$ 3,883,530</u>	

## STIP

## Credit Quality Rating and Weighted Average of Maturity as of

June 30, 2022

(in thousands)

<b>Security Investment Type</b>	<b>Total Fixed Income Investments at Fair Value</b>	<b>Credit Quality Rating</b>	<b>WAM (Days)</b>
Treasuries	\$ 520,928	A-1	17
Asset backed commercial paper	69,929	A-1	2
Agency or government related	1,242,500	A-1	40
Corporate:			
Commercial paper	838,725	A-1	27
Notes	253,992	A-1	8
Certificates of deposit	752,070	A-1	24
Total STIP fixed income investments at fair value	<u>\$ 3,678,144</u>		

### C. Equity in Pooled Investments

These securities consist of investments held by BOI in pooled investment funds. The Consolidated Asset Pension Pool (CAPP) and Trust Funds Investment Pool (TFIP) were created to allow qualifying funds to participate in diversified investment pools. Purchases are subject to the statutorily mandated “Prudent Expert Principle” (see Table 3 – Equity in Pooled Investments).

**Table 3 – Equity in Pooled Investments**  
(in thousands)

	<u>Fair Value <sup>(1)</sup></u>
<b>CAPP:</b>	
Consolidated asset pension pool	\$ 13,346,867
<b>TFIP:</b>	
Trust funds investment pool	2,826,431
Treasurer's Cash Pool Investment in TFIP <sup>(2)</sup>	<u>(90,280)</u>
Total pooled investments	16,083,018
Pool adjustments (net)	6,677
Total equity in pooled investments	<u>\$ 16,089,695</u>

<sup>(1)</sup> Includes cash/cash equivalents and investments.

<sup>(2)</sup> TFIP becomes permitted investments for the State Treasurer's Fund.

As of June 30, 2022, the fair value of the underlying securities on loan was \$655.7 million. Collateral provided for the securities on loan totaled \$688.5 million, consisting of \$181.4 million in cash and \$507.2 million in securities.

As of June 30, 2022, local governments invested \$12.3 million in TFIP.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2022, as required for applicable pools.

**Credit Quality Rating and Effective Duration as of June 30, 2022**  
Fair Value (in thousands)

Security Investment Type	CAPP	TFIP	SMA	Total Fixed Income Investments at Fair Value	Credit Quality Ratings Range	Effective Duration (Years)
Treasuries	\$ 645,358	\$ 408,628	\$ 317,079	\$ 1,371,065	AAA	4.31-11.29
Agency or Government Related	273,369	165,965	100,130	539,464	A+ to AAA	2.56-5.87
Asset-Backed Securities	117,536	109,481	86,529	313,546	AAA	2.15-2.77
Mortgage-Backed Securities:						
Noncommercial	295,986	244,066	163,938	703,990	AAA	5.08-5.91
Commercial	191,620	239,542	79,105	510,267	AAA	3.72-5.33
Corporate:						
Financial	373,804	279,424	192,305	845,533	BBB+ to A-	2.73-3.71
Industrial	721,364	577,064	273,752	1,572,180	BB+ to BBB+	4.45-5.58
Utility	35,249	10,088	6,323	51,660	BBB-	3.12-5.12
Total fixed income investments at fair value	<u>\$ 2,654,286</u>	<u>\$ 2,034,258</u>	<u>\$ 1,219,161</u>	<u>\$ 5,907,705</u>		

State of Montana investments are measured at fair value and categorized within the fair value hierarchy established by GASB Statement No. 72 – *Fair Value Measurement and Application*, as defined below.

Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Residential Mortgages classified in Level 3 of the fair value hierarchy are present value adjusted.

Direct real estate classified in Level 3 of the fair value hierarchy are based on the latest appraised value. In years with no updated appraisal the Montana Department of Revenue calculated growth rate is used to determine the adjusted value. The direct real estate was last appraised in fiscal year 2020.

Investments measured at cost are included to account for all investments within each pool and SMA. These assets represent cash equivalents, INTERCAP Bonds, and Montana Mortgages and Loans.



Each of the investment pools and SMA has the following fair value measurements as of June 30, 2022:

	Investments Measured at Fair Value (in thousands)			
	June 30, 2022	Fair Value Measurements Using		
		Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
<u>Investments by fair value level</u>				
Fixed income investments:				
Treasuries	\$ 1,891,993	\$ 1,891,993	\$ —	\$ —
Agency or Government Related	1,781,964	—	1,781,964	—
Asset Backed Securities	313,546	—	313,546	—
Mortgage Backed Securities:				
Noncommercial	703,990	—	703,990	—
Commercial	510,267	—	510,267	—
Corporate:				
Commercial Paper	908,654	—	908,654	—
Commercial Notes	253,992	—	253,992	—
Certificates of Deposit	752,070	—	752,070	—
Financial	845,533	—	845,533	—
Industrial	1,572,180	—	1,572,180	—
Utility	51,660	—	51,660	—
Domestic equity investments	4,301,691	4,301,691	—	—
International equity investments	2,152,673	2,152,673	—	—
Direct Real Estate	21,105	—	—	21,105
Residential Mortgages	1,279	—	—	1,279
Investment derivative instruments	(143)	—	(143)	—
Total investments by fair value level	<u>16,062,454</u>	<u>8,346,357</u>	<u>7,693,713</u>	<u>22,384</u>
<u>Investments measured at the net asset value (NAV)</u>				
Private Investments	2,242,757			
Core Real Estate	1,313,303			
Non-Core Real Estate	903,261			
Real Assets	450,245			
Real Estate High Income Fund	175,513			
Total investments measured at NAV	<u>5,085,079</u>			
Total investments measured at fair value	<u>21,147,533</u>			
<u>Investments at cost</u>				
Cash and cash equivalents held at custodial bank	4,041,044			
INTERCAP Bonds	68,707			
SMA Montana Mortgages and Loans	190,088			
Total investments not categorized	<u>4,299,839</u>			
Total investments	<u>\$ 25,447,372</u>			

The investments measured at NAV for the year ended June 30, 2022, are detailed below:

	Investments Measured at NAV (in thousands)			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Investments	\$ 2,242,757	\$ 1,223,193		
Core Real Estate	1,313,303	130,593	Monthly, quarterly	45-90 days
Non-Core Real Estate	903,261	720,895		
Real Assets	450,245	366,957		
Real Estate High Income Fund	175,513	—	Daily	1-3 days
Total investments measured at the NAV	<u>\$ 5,085,079</u>	<u>\$ 2,441,638</u>		

STIP and \$1.6 billion of SMA are included, and also reported in Tables 2 and 4, respectively.

Private Investments – This type includes investments in limited partnerships. Typically, the types of partnership strategies included in this portfolio: venture capital, growth equity, buyouts, special situations, mezzanine, and distressed debt. These investments are considered long-term. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. It is expected that the underlying assets of the funds will be liquidated over 10 years. It is probable all the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the BOI's ownership interest in partners' capital.

Core Real Estate – This type includes funds that invest primarily in core real estate, which makes equity investments in operating and substantially leased institutional quality real estate in traditional property types (apartments, office, retail, industrial, and hotel) via commingled funds. The primary investment objectives of these core real estate funds are to invest in real estate that will generate income from predictable sources of revenue and not to realize gains on the underlying assets. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the partners' capital. Redemption of these investments is restricted based on the availability of cash flow arising from investment transactions, sales, and other fund operations occurring in the ordinary course of business. Therefore, requested redemptions from a fund will be redeemed as funds become available.

Non-Core Real Estate – This type includes private partnership funds that primarily invest in value added and opportunistic real estate funds. These funds assume more risk than the core real estate funds to achieve a greater return on investment. Returns are driven both by current income and by expected capital appreciation. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 7 to 10 years. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the fund.

Real Assets – This type includes private partnership funds that primarily invest in timber, energy, broad natural resource funds, and infrastructure. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 10 to 20 years. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the partners' capital.

Real Estate High Income Fund – This type consists of predominantly of real estate related instruments with an emphasis in U.S. corporate credits, whether in the form of bonds or loans that are rated below investment grade. These assets carry a higher risk of default than investment grade securities and accordingly provide a higher level of income or yield commensurate with that risk. The fair values of the investments of this type have been determined using the NAV per share (or its equivalent) of the investments.

As of June 30, 2022, the exchange date, BOI's foreign currency exposure by denomination and investment type are reported, in U.S. dollars, at fair value and is limited to CAPP. The following table excludes the foreign investments denominated in U.S. dollars for the American Depository Receipts (ADRs), sovereign debt, and commingled index funds.

**Foreign Currency Exposure by Country**

Investment Type in U.S. Dollar Equivalent

(in thousands)

Foreign Currency Denomination	Currency	Fixed Income	International Equities	Private Investments	Real Estate	Real Assets
Australian Dollar	\$ (120)	\$ —	\$ 44,281	\$ —	\$ —	\$ —
Brazilian Real	269	5,933	23,738	—	—	—
Canadian Dollar	57	—	75,211	—	—	—
Chilean Peso	68	1,900	120	—	—	—
Columbian Peso	12	2,783	—	—	—	—
Czech Koruna	—	—	56	—	—	—
Danish Krone	26	—	23,845	—	—	—
Egyptian Pound	—	—	62	—	—	—
EMU – Euro	32	2,781	190,155	13,179	145	29,404
Hong Kong Dollar	201	—	78,288	—	—	—
Hungarian Forint	43	2,253	1,499	—	—	—
Hryvnia	281	947	—	—	—	—
Indonesian Rupiah	114	3,483	12,518	—	—	—
Japanese Yen	459	—	134,236	—	—	—
Kazakhstan Tenge	—	462	—	—	—	—
Malaysian Ringgit	54	2,086	8,485	—	—	—
Mexican Peso	62	7,262	14,510	—	—	—
New Israeli Sheqel	—	—	11,262	—	—	—
New Taiwan Dollar	—	—	38,694	—	—	—
New Zealand Dollar	—	—	308	—	—	—
Norwegian Krone	—	—	15,547	—	—	—
Philippine Peso	10	—	1,164	—	—	—
Polish Zloty	—	423	4,942	—	—	—
Pound Sterling	632	—	90,162	—	—	—
Romanian Leu	35	698	—	—	—	—
Russian Ruble	27	—	—	—	—	—
Singapore Dollar	20	—	10,657	—	—	—
SOL	—	4,791	—	—	—	—
South African Rand	24	6,472	2,883	—	—	—
South Korean Won	55	—	36,832	—	—	—
Swedish Krona	70	—	33,148	—	—	—
Swiss Franc	1	—	41,035	—	—	—
Thailand Baht	13	—	7,393	—	—	—
Turkish Lira	—	—	620	—	—	—
Uruguayan Peso	—	2,553	—	—	—	—
Uzbekistan Sum	—	308	—	—	—	—
Yuan Renminbi	76	(2)	17,694	—	—	—
Total cash and securities	\$ 2,521	\$ 45,133	\$ 919,345	\$ 13,179	\$ 145	\$ 29,404

Investments in alternative financial assets are usually made via limited partnership agreements that involve many limited partners and a general partner who is responsible for all investment decisions. The limited partners make an original commitment, after which capital is called as needed by the general partner to make investments. These agreements will usually last for a minimum of 10 years. The following table shows the BOI's remaining commitments as of June 30, 2022 to active alternative investment funds with approximately \$2.4 billion related to CAPP and \$88.0 million related to TFIP.

<b>Commitments to Fund Managers</b> (in thousands)		
<b>Pension Asset Class</b>	<b>Original Commitment</b>	<b>Commitment Remaining</b>
Private Investments	\$ 3,831,878	\$ 1,223,193
Real Assets	839,938	366,957
Real Estate	3,113,601	851,488
Total	<u>\$ 7,785,417</u>	<u>\$ 2,441,638</u>

#### D. Investments

BOI was created by the State Legislature to manage the Unified Investment Program established by the State Constitution. Long-term investments are administered by the following agencies, as allowed by state law, Section 17-6-201, MCA:

<b>Department</b>	<b>Percent Administered</b>
Board of Investments	45.58 %
Universities	21.26
MPERA (Montana Public Employee Retirement Administration)	25.79
College Savings Plan	4.91
Montana Board of Housing	1.55
Other <sup>(1)</sup>	0.91
Total	<u>100.00 %</u>

<sup>(1)</sup> Other consists of the Commissioner of Higher Education, the Department of Administration, the Department of Revenue, and State Auditor.

BOI must employ the "Prudent Expert Rule" in managing the State's investment portfolio. Investments are presented at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to BOI's custodial bank or trustee. State investments are categorized within the fair value hierarchy established by GASB Statement No. 72.

The PERS Defined Contribution Retirement Plan (DCRP) and the Deferred Compensation Plan's Montana Fixed Fund is a stable value investment option administered and monitored by the Public Employees' Retirement Board (PERB) with input from the Employee Investment Advisory Committee and the investment consultant. PERB has established an investment policy for the Montana Fixed Fund to identify objectives, investment guidelines, and outline the responsibility of the outside vendors. This investment policy includes stable value manager Pacific Investment Management Company LLC (PIMCO), custodial bank State Street Bank and Trust Company (State Street), and third-party synthetic Guaranteed Interest Contract (GIC) providers, Transamerica Life Insurance Company (Transamerica), Prudential Insurance Company of America (Prudential), and Voya Retirement Insurance and Annuity Company (Voya). All money invested in the Montana Fixed Fund investment option of the PERS-DCRP and Deferred Compensation Plan is held in a Pooled Trust. The third party recordkeeper, Empower Retirement™, tracks and reports the daily trading and valuations of all investment options, including the assets held by the individual mutual fund companies.

**Table 4 – Investments**  
(in thousands)

	Fair Value June 30, 2022	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Primary government</b>				
<u>Investments by fair value level</u>				
Treasuries <sup>(1)</sup>	\$ 1,896	\$ 1,896	\$ —	\$ —
Agency/Government Related <sup>(1)</sup>	5,740	—	5,740	—
Stocks	9,792	9,792	—	—
Other	340	—	340	—
Total investments at fair value	17,768	11,688	6,080	—
<u>Investments at cost</u>				
Montana Mortgages and Loans <sup>(3)</sup>	182,723			
Total investments at cost	182,723			
Total primary government	200,491			
<b>Component units/fiduciary funds</b>				
<u>Investments by fair value level</u>				
Treasuries <sup>(1)</sup>	245,923	245,923	—	—
Agency/Government Related <sup>(1)</sup>	94,390	—	94,390	—
Asset-Backed Securities <sup>(1)</sup>	86,529	—	86,529	—
Mortgage-Backed Securities <sup>(1)</sup>	163,938	—	163,938	—
Commercial Mortgage-Backed Securities <sup>(1)</sup>	79,105	—	79,105	—
Financial-Corporate <sup>(1)</sup>	192,305	—	192,305	—
Industrial-Corporate <sup>(1)</sup>	273,752	—	273,752	—
Utility-Corporate <sup>(1)</sup>	6,323	—	6,323	—
Equity Investments	181,720	181,720	—	—
529 College Savings Plan	176,065	—	176,065	—
VEBA	10,727	10,727	—	—
State Auditor	11,706	5,567	6,139	—
MSU Investments <sup>(2)</sup>	324	—	324	—
MSU Component Unit Investments <sup>(2)</sup>	207,887	200,496	4,868	2,523
UM Component Unit Investments <sup>(2)</sup>	94,277	33,527	49,952	10,798
Board of Housing <sup>(2)</sup>	27,729	10,669	17,060	—
Total investments at fair value	1,852,700	688,629	1,150,750	13,321
<u>Investments at net asset value (NAV)</u>				
Core Real Estate	121,318			
Deferred Compensation <sup>(2)</sup>	565,206			
Defined Contribution <sup>(2)</sup>	359,486			
MSU Component Unit Investments <sup>(2)</sup>	134,200			
UM Other Investments <sup>(2)</sup>	397			
UM Component Unit Investments <sup>(2)</sup>	298,603			
UM Interest in Split Interest <sup>(2)</sup>	5,431			
Total investments at NAV	1,484,641			
<u>Investments at cost</u>				
MSU Component Unit Investments <sup>(2)</sup>	20,986			
Board of Housing <sup>(2)</sup>	27,806			
Total Investments at Cost	48,792			
Total component unit/fiduciary investments	3,386,133			
Total investments	\$ 3,586,624			
Securities lending investment pool	\$ 11,209			

- (1) The credit quality rating and duration are included in the above sections for the rated investments.
- (2) For more detail, refer to component unit separately issued financial statements.
- (3) The total for Montana Mortgages and Loans does not include Coal Severance Tax loans, which was included in SMA financial statements. This amount of \$7.4 million is considered advances to other funds/component units and amounts due from component units in the Coal Tax Severance column of the governmental fund financial statements.

As of June 30, 2022, the fair value of the investments on loan was \$126.8 million. Collateral provided for the investments on loan totaled \$130.1 million consisting of \$11.2 million in cash and \$118.9 million in securities.

\$1.6 billion of SMA is included and also reported in the Investments Measured at Fair Value and NAV table.

**NOTE 4. DISAGGREGATION OF ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

Accounts receivable, long-term loans/notes/leases receivable, accounts payable, deferred outflows of resources, and deferred inflows of resources on the Statement of Net Position as of June 30, 2022, consisted of the following (in thousands):

**A. Accounts Receivables**

	Governmental Activities						
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Charges for services/fines/forfeitures	\$ —	\$ 5,779	\$ 4,121	\$ 596	\$ —	\$ —	\$ 22,002
Contributions/premiums	—	—	—	12,467	—	—	2,428
Grants/contracts/donations	—	3	—	—	—	—	22,425
Loans/investment income	4,504	—	4,137	386	3,381	6,278	3,309
Lease receivables <sup>(1)</sup>	—	—	—	—	5,556	—	4
License and permits	—	—	—	—	—	—	1,211
Medicaid Drug Rebate Program	—	81,734	20,431	—	—	—	—
Other receivable	—	291	3	558	—	—	51
Reimbursements/overpayments	—	—	10,649	—	—	—	12,426
Taxes receivable	13,085	—	458,029	—	—	7,440	110,397
Total receivables	17,589	87,807	497,370	14,007	8,937	13,718	174,253
Less: allowance for doubtful accounts	(688)	(2,436)	(149,222)	(559)	—	(228)	(21,226)
Receivables, net	\$ 16,901	\$ 85,371	\$ 348,148	\$ 13,448	\$ 8,937	\$ 13,490	\$ 153,027

<sup>(1)</sup> GASB Statement No. 87 was implemented in fiscal year 2022. Further detail regarding lease receivables is provided in Note 10.

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Charges for services	\$ —	\$ 37,990	\$ —
Contributions/premiums	—	3,849	5,293
Loans/investment income	7,581	182	—
Other receivables	—	11	—
Reimbursements/overpayments	—	—	26,295
Total receivables	7,581	42,032	31,588
Less: allowance for doubtful accounts	—	(511)	(14,470)
Receivables, net	\$ 7,581	\$ 41,521	\$ 17,118

**B. Long-Term Loans/Notes/Leases Receivable**

	Governmental Activities			
	Federal Special Revenue	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Loans/investment income	\$ 13,179	\$ —	\$ 17,202	\$ 506,399
Lease receivables <sup>(1)</sup>	—	364,880	—	230
Other receivable	—	—	—	12
Total receivables	13,179	364,880	17,202	506,641
Less: allowance for loan forgiveness	(9,575)	—	—	—
Less: allowance for doubtful accounts	—	—	—	(141)
Long-term loans/notes/leases receivable	\$ 3,604	\$ 364,880	\$ 17,202	\$ 506,500

<sup>(1)</sup> GASB Statement No. 87 was implemented in fiscal year 2022. Further detail regarding lease receivables is provided in Note 10.

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Loans/investment income	\$ 42,228	\$ —	\$ —
Reimbursements/overpayments	—	—	57,367
Other receivables	—	71	—
Total receivables	42,228	71	57,367
Less: allowance for doubtful accounts	—	—	(14,529)
Long-term loans/notes/leases receivable	\$ 42,228	\$ 71	\$ 42,838

**C. Deferred Outflows of Resources**

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
OPEB deferred outflows <sup>(1)</sup>	\$ —	\$ 92,610	\$ 6,073	\$ —	\$ —
Pension deferred outflows <sup>(2)</sup>	3	651,010	12,625	—	111
Refunding deferred outflows	—	—	—	1,456	—
Total deferred outflows	\$ 3	\$ 743,620	\$ 18,698	\$ 1,456	\$ 111

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred outflows <sup>(1)</sup>	\$ 31	\$ 1,670
Pension deferred outflows <sup>(2)</sup>	81	3,390
Total deferred outflows	\$ 112	\$ 5,060

<sup>(1)</sup> Further detail regarding OPEB related deferred outflows of resources is provided in Note 7.

<sup>(2)</sup> Further detail regarding pension related deferred outflows of resources is provided in Note 6.



**D. Accounts Payables**

	Governmental Activities					
	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Accrued interest	\$ 2	\$ 216	\$ —	\$ —	\$ 1,715	\$ 57
Payroll	7,851	17,649	3,262	—	5	17,693
Tax refunds	—	223,514	—	—	—	—
Vendors/individuals	253,733	83,824	14,767	9	5,149	174,313
Payables, net	\$ 261,586	\$ 325,203	\$ 18,029	\$ 9	\$ 6,869	\$ 192,063

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Accrued interest	\$ 188	\$ 6	\$ —
Payroll	20	803	—
Vendors/individuals	—	17,607	4,817
Payables, net	\$ 208	\$ 18,416	\$ 4,817

**E. Deferred Inflows of Resources**

	Governmental Activities					
	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Leases deferred inflows <sup>(3)</sup>	\$ —	\$ —	\$ —	\$ 370,436	\$ —	\$ 233
OPEB deferred inflows <sup>(1)</sup>	—	58,536	3,862	—	—	—
Pension deferred inflows <sup>(2)</sup>	5	943,532	19,218	—	—	152
Refunding deferred inflows	—	—	—	—	1,867	—
Total deferred inflows	\$ 5	\$ 1,002,068	\$ 23,080	\$ 370,436	\$ 1,867	\$ 385

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred inflows <sup>(1)</sup>	\$ 19	\$ 1,086
Pension deferred inflows <sup>(2)</sup>	105	4,877
Total deferred inflows	\$ 124	\$ 5,963

<sup>(1)</sup> Further detail regarding OPEB related deferred inflows of resources is provided in Note 7.

<sup>(2)</sup> Further detail regarding pension related deferred inflows of resources is provided in Note 6.

<sup>(3)</sup> GASB Statement No. 87 was implemented in fiscal year 2022. Further detail regarding lease related deferred inflows is provided in Note 10.

**NOTE 5. CAPITAL ASSETS**

Changes in capital asset balances for the fiscal year ended June 30, 2022, are reflected in the following table (in thousands):

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases <sup>(1)</sup></b>	<b>Decreases <sup>(1)</sup></b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 776,482	\$ 15,375	\$ (1,727)	\$ 790,130
Construction work in progress	1,372,621	456,485	(522,324)	1,306,782
Easements	255,427	23,490	(5)	278,912
Museum and art	86,165	590	—	86,755
Right to use lease land <sup>(2)</sup>	72	—	—	72
Other	30,468	205	(21)	30,652
Total capital assets not being depreciated	<u>2,521,235</u>	<u>496,145</u>	<u>(524,077)</u>	<u>2,493,303</u>
Capital assets being depreciated:				
Infrastructure	5,869,360	624,503	(452,985)	6,040,878
Land improvements	78,660	2,056	—	80,716
Buildings/improvements	637,537	40,223	(118)	677,642
Equipment	451,617	23,866	(15,555)	459,928
Easements - amortized	1,231	—	(73)	1,158
Right to use lease land <sup>(2)</sup>	1,812	—	—	1,812
Right to use lease buildings <sup>(2)</sup>	156,620	5,446	—	162,066
Right to use lease equipment <sup>(2)</sup>	481	3	—	484
Other	6,131	188	—	6,319
Total capital assets being depreciated	<u>7,203,449</u>	<u>696,285</u>	<u>(468,731)</u>	<u>7,431,003</u>
Less accumulated depreciation and amortization for:				
Infrastructure	(1,776,307)	(215,502)	222,645	(1,769,164)
Land improvements	(40,194)	(3,562)	—	(43,756)
Buildings/improvements	(437,566)	(21,505)	115	(458,956)
Equipment	(300,166)	(25,485)	11,101	(314,550)
Right to use lease land	—	(160)	—	(160)
Right to use lease buildings	—	(20,997)	—	(20,997)
Right to use lease equipment	—	(119)	—	(119)
Other	(4,845)	(288)	—	(5,133)
Total accumulated depreciation and amortization	<u>(2,559,078)</u>	<u>(287,618)</u>	<u>233,861</u>	<u>(2,612,835)</u>
Total capital assets being depreciated, net	<u>4,644,371</u>	<u>408,667</u>	<u>(234,870)</u>	<u>4,818,168</u>
Intangible assets	60,414	7,992	(24,148)	44,258
Governmental activities capital assets, net	<u>\$ 7,226,020</u>	<u>\$ 912,804</u>	<u>\$ (783,095)</u>	<u>\$ 7,355,729</u>

<sup>(1)</sup> The increases and decreases noted above include adjustments related to prior periods and correction of errors.

<sup>(2)</sup> The beginning balance has been restated for implementation of GASB Statement No. 87.

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases <sup>(1)</sup></b>	<b>Decreases <sup>(1)</sup></b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 800	\$ —	\$ —	\$ 800
Construction work in progress	1,303	3,480	(953)	3,830
Other	3,213	358	(145)	3,426
Total capital assets not being depreciated	<u>5,316</u>	<u>3,838</u>	<u>(1,098)</u>	<u>8,056</u>
Capital assets being depreciated:				
Infrastructure	1,175	—	—	1,175
Land improvements	3,830	—	—	3,830
Buildings/improvements	16,379	14	—	16,393
Equipment	9,846	349	(235)	9,960
Right to use lease buildings <sup>(2)</sup>	4,067	—	—	4,067
Total capital assets being depreciated	<u>35,297</u>	<u>363</u>	<u>(235)</u>	<u>35,425</u>
Less accumulated depreciation and amortization for:				
Infrastructure	(783)	(19)	—	(802)
Land improvements	(2,362)	(149)	—	(2,511)
Buildings/improvements	(7,700)	(583)	—	(8,283)
Equipment	(7,756)	(337)	210	(7,883)
Right to use lease buildings	—	(404)	—	(404)
Total accumulated depreciation and amortization	<u>(18,601)</u>	<u>(1,492)</u>	<u>210</u>	<u>(19,883)</u>
Total capital assets being depreciated, net	<u>16,696</u>	<u>(1,129)</u>	<u>(25)</u>	<u>15,542</u>
Intangible assets	<u>3,432</u>	<u>—</u>	<u>(1,664)</u>	<u>1,768</u>
Business-type activities capital assets, net	<u>\$ 25,444</u>	<u>\$ 2,709</u>	<u>\$ (2,787)</u>	<u>\$ 25,366</u>

<sup>(1)</sup> The increases and decreases noted above include adjustments related to prior periods and corrections of errors.

<sup>(2)</sup> The beginning balance has been restated for implementation of GASB Statement No. 87.

**Total right to use lease capital assets (in thousands):**

	Right to Use Lease Capital Assets	Right to Use Lease Accumulated Amortization	Right to Use Lease Capital Assets, Net
Governmental activities	\$ 164,434	\$ (21,276)	\$ 143,158
Business-type activities	4,067	(404)	3,663
Total	<u>\$ 168,501</u>	<u>\$ (21,680)</u>	<u>\$ 146,821</u>

Depreciation expense for capital assets and amortization expense for right to use lease assets were charged to governmental functions as follows (in thousands):

	Depreciation <sup>(1)</sup>	Right to Use Lease Asset Amortization	Total
General government	\$ 9,691	\$ 3,310	\$ 13,001
Public safety	9,565	5,120	14,685
Transportation, including depreciation of the highway system maintained by the State	217,313	—	217,313
Health and human services	4,043	8,780	12,823
Education	177	435	612
Natural resources, including depreciation of the state's dams	11,425	2,633	14,058
Depreciation on capital assets held by the internal service funds	14,128	998	15,126
Total – Governmental Activities	<u>\$ 266,342</u>	<u>\$ 21,276</u>	<u>\$ 287,618</u>

<sup>(1)</sup> Depreciation expenses noted above include adjustments related to prior periods and correction of errors.

Depreciation expense for capital assets and amortization expense for right to use lease assets were charged to business-type activities as follows (in thousands):

	Depreciation <sup>(1)</sup>	Right to Use Lease Asset Amortization	Total
Liquor Stores	\$ 92	\$ 30	\$ 122
State Lottery	36	207	243
Prison Funds	386	—	386
West Yellowstone Airport	515	—	515
Other Enterprise Funds	59	167	226
Total – Business-type Activities	<u>\$ 1,088</u>	<u>\$ 404</u>	<u>\$ 1,492</u>

<sup>(1)</sup> Depreciation expenses noted above include adjustments related to prior periods and correction of errors.

According to GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, a capital asset is considered impaired when its service utility has declined, enactment or approval of laws or regulations, or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset. In fiscal year 2022, the Department of Transportation replaced a portion of the highway system due to these factors, resulting in a \$124.4 million impairment loss, which is included in the Transportation functional expense line on the Statement of Activities.

## NOTE 6. RETIREMENT PLANS

### A. General

The funding policies for each plan provide for periodic employee, employer, and State nonemployer contributions at rates specified by state law. An actuary determines the actuarial implications of the funding requirement in an annual actuarial valuation. The actuarial method used to determine the implications of the statutory funding level is the Entry Age Actuarial Cost Method, with both normal cost and amortization of the unfunded actuarial liability determined as a level percentage of payroll expense. Benefits are established by state law and can only be amended by the Legislature.

Montana State Fund (MSF), a discretely presented component unit of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in the reporting period, there will be a variance between the note disclosures and the financial statements for some pension-related items.

#### Public Employees' Retirement Board

The Public Employees' Retirement Board (PERB) oversees eight defined benefit plans: Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP); Judges' Retirement System (JRS); Highway Patrol Officers' Retirement System (HPORS); Sheriffs' Retirement System (SRS); Game Wardens' and Peace Officers' Retirement System (GWORS); Municipal Police Officers' Retirement System (MPORS); Firefighters' Unified Retirement System (FURS); and Volunteer Firefighters' Compensation Act (VFCA). The PERB also oversees one defined contribution plan: Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP), and the education funds related to the pension plans. All benefit plans, defined benefit and defined contribution, are administered by the Montana Public Employees' Retirement Administration (MPERA). Separately issued financial statements and actuarial reports can be obtained at 100 North Park, Suite 200, PO Box 200131, Helena, MT 59620-0131. The financial statements and the latest actuarial valuation may also be obtained here: <http://mpera.mt.gov/>. The financial statements for the PERS-DBRP include activity for the defined benefit plan and the associated education fund. The PERS-DCRP financial statements include activity for the defined contribution plan and the associated education fund.

The PERB is an independent, seven-member board, appointed by the Governor. The members are assigned five-year, staggered terms. The PERB consists of two members at large, two active defined benefit public employees, one active defined contribution public employee, one member experienced in investments, and one retired public employee. The PERB approves the annual operating budget, developed by MPERA management, before the beginning of the fiscal year. As governed by statute, the PERB's defined benefit administrative expenses may not exceed 1.5% of the total defined benefit plan retirement benefits paid. In addition, the PERB decides legislative policy and priorities, hires the executive director, establishes the policies and procedures that govern operations at MPERA, and hears and rules on appeal matters of disabilities, retirees, and members. PERB members do not receive compensation for their service to the MPERA but are reimbursed for necessary expenses incurred while serving.

All defined benefit pension plans provide retirement, disability, and death benefits to the plan members and their beneficiaries. The PERS-DCRP Disability OPEB Plan provides a defined benefit for disabled members of the PERS-DCRP. Beneficiaries do not receive disability benefits but may attain retirement benefits from the PERS-DCRP. A summary of the plan eligibility and benefits are found in the Summary of Benefits sections throughout Note 6.

#### Teachers' Retirement System

The Teachers' Retirement System (TRS) is a defined benefit plan administered by the Teachers Retirement Board (TRB). The plan prepares a publicly issued annual comprehensive financial report that includes financial statements and required supplementary information for TRS. Separately issued financial statements, actuarial valuations, and experience studies can be obtained at 100 N Park Avenue, Suite 110, PO Box 200139, Helena, MT 59620-0139, or can be found online at <https://trs.mt.gov/>.

The TRB consists of six members, all of whom are appointed by the Governor. Three TRB members must be teaching professionals who, when appointed, are active members of TRS; at least one of them must be an active classroom teacher. One TRB member must be a retired teacher who was a member of TRS at the time of retirement. Two TRB members are appointed from the public at large. TRB members serve staggered, five-year terms. Three TRB members constitute a quorum.

A summary of the number of participating employer and nonemployer contributing entities as of June 30, 2022, follows:

Classification of Participant	GWPORS	PERS-DBRP	PERS-DCRP	SRS	MPORS	FURS	VFCA	TRS
Employer	7	553	344	57	36	27	225	362
Nonemployer contributing entity	—	1	—	—	1	1	1	1
Total Participants	7	554	344	57	37	28	226	363

There are 630 State employees who are eligible to participate in defined benefit pension plans, other than the plans listed above.

**B. Summary of Significant Accounting Policies**

The MPERA prepares its financial statements using fund accounting principles and the accrual basis of accounting. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. Plan member contributions, employer contributions, and related receivables are recognized as revenues in the accounting period in which they are earned and become measurable, pursuant to formal commitments and statutory requirements. Benefit payments and refunds/distributions are recognized in the accounting period in which they are due and payable in accordance with the terms of each plan. Administrative and other expenses, and the associated liabilities, are recognized in the period the liability is incurred. Administrative expenses are financed through investment earnings on the pension trust fund for the defined benefit plans. Interfund receivables and payables exist at year-end for defined benefit administrative expenses that are accounted for within PERS-DBRP and allocated to the other defined benefit plans at year-end. Costs specifically related to the computer system upgrades are charged directly to the individual plans. The MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

The TRS prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS, and additions to/deductions from TRS’s fiduciary net position, the items have been determined on the same accrual basis as they are reported by the TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The TRS adheres to all applicable GASB statements.

The pension trust fund financial statements presented in this report are prepared using the accrual basis of accounting in the same manner as that described for the pension plan administrators above.

### C. Summary of All Public Employee Retirement Plans

A summary of classes of members in JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, TRS, and PERS-DCRP, covered by benefit terms at June 30, 2022, follows:

Type of Plan for Reporting Purposes	Single-Employer Defined Benefit			Multi-Employer Defined Benefit						Multi-Employer Defined Contribution	
	Plan Designation	JRS	HPORS <sup>(1)</sup>	GWPORS	PERS-DBRP <sup>(2)</sup>	SRS	MPORS <sup>(1)</sup>	FURS	VFCA <sup>(5)</sup>	TRS	PERS-DCRP
<b>Classification of Member</b>											
Active	59	252	977	28,508	1,481	841	749	2,233	19,975	3,386	
Inactive entitled to, but not yet receiving, benefits or a refund:	—	—	—	—	—	—	—	—	—	—	
Vested	2	19	170	4,790	211	123	51	836	2,015	997	
Non-vested	2	38	589	23,110	914	212	93	8,397	5,656	1,283	
Inactive members and beneficiaries currently receiving benefits:	—	—	—	—	—	—	—	—	—	—	
Service retirements <sup>(3)</sup>	69	345	430	24,481	786	880	674	1,517	15,203	152	
Disability retirements	—	3	3	102	31	25	13	1	183	10	
Survivor benefits <sup>(4)</sup>	5	9	12	545	23	28	17	6	1,983	3	
<b>Total membership</b>	<b>137</b>	<b>666</b>	<b>2,181</b>	<b>81,536</b>	<b>3,446</b>	<b>2,109</b>	<b>1,597</b>	<b>12,990</b>	<b>45,015</b>	<b>5,831</b>	

<sup>(1)</sup> Includes Deferred Retirement Option Plan (DROP) in the Active count.

<sup>(2)</sup> The inactive non-vested count includes dormant accounts that were previously not counted.

<sup>(3)</sup> Includes "Alternative Payees" and "Death After Retirement" benefit payments. As of Fiscal Year 2019, the TRS plan stopped reporting separate benefit recipient categories.

<sup>(4)</sup> Includes "Death Before Retirement" benefit payments.

<sup>(5)</sup> The VFCA Inactive Non-Vested count is being included in the membership count. Prior to Fiscal Year 2022 the count was not included in the actuarial funding valuation.

The following table represents the aggregate proportional share of the pension amounts for all defined benefit plans from the perspective of the State as the employer and/or nonemployer contributing entity for primary government, discretely presented component units, and fiduciary component units reported as of June 30, 2022, based on the actuarial valuation as of June 30, 2020 (amounts presented in thousands):

#### Aggregate Pension Amounts - All Defined Benefit Plans

	Primary Government			Discretely Presented Component Units <sup>(1)</sup>	Fiduciary Component Units	TOTAL
	State as Employer	State as Nonemployer Contributing Entity	Total Primary Government			
<b>Net Pension Liabilities</b>	\$ 914,227	\$ 1,012,358	\$ 1,926,585	\$ 160,424	\$ 1,417	\$ 2,088,426
<b>(Net Pension Assets)</b>	(59,202)	—	(59,202)	—	—	(59,202)
<b>Pension Deferred Outflows of Resources</b>	366,393	300,829	667,222	71,033	442	738,697
<b>Pension Deferred Inflows of Resources</b>	542,727	425,159	967,886	68,309	584	1,036,779
<b>Pension Expense or Nonemployer Contributing Entity Grant Expense</b>	87,976	138,541	226,517	22,180	140	248,837

<sup>(1)</sup> MSF pension deferred outflows of resources difference of \$915.6 thousand is due to MSF reporting on a calendar year-end basis on financial statements with a 6-month subsequent contribution while a 12-month subsequent contribution is disclosed in Note 6.

## D. Defined Benefit Retirement Plans

The information below includes all defined benefit retirement plans administered by MPERA and TRS.

### (1) Plan Descriptions and Funding Policies

**Judges' Retirement System** – The JRS, administered by the MPERA, is a single-employer defined benefit plan established in 1967 and governed by Title 19, chapters 2 & 5, MCA (Montana Code Annotated). This plan provides retirement benefits for all Montana judges of the district courts, justices of the Supreme Court, the Chief Water Judge, and the Associate Water Judge. Benefits are established by state law and can only be amended by the Legislature. The JRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation. Member rights are vested after five years of service.

#### Summary of Benefits

*Member's current salary<sup>1</sup> or highest average compensation (HAC)<sup>2</sup>*

<sup>1</sup>Hired prior to July 1, 1997, and non-Guaranteed Annual Benefit Adjustment (GABA) – monthly compensation at time of retirement;

<sup>2</sup>Hired on or after July 1, 1997, or electing GABA – HAC during any consecutive 36 months;

<sup>2</sup>Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

*Eligibility for benefit*

Age 60, 5 years of membership service;

Any age with 5 years of membership service – involuntary termination, actuarially reduced.

*Vesting*

5 years of membership service.

*Monthly benefit formula*

3.33% of current salary<sup>1</sup> (non-GABA) or HAC<sup>2</sup> (GABA) per year of service credit for the first 15 years of service credit, plus 1.785% per year for each year after 15 years.

*Guaranteed Annual Benefit Adjustment (GABA)*

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

*Minimum benefit adjustment (non-GABA)*

If hired prior to July 1, 1997, and member did not elect GABA – current salary of an active member in same position is used in the calculation of the monthly benefit each time the Legislature increases salaries for active judges.

#### Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system* – Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Plan members are required to contribute 7.0% of the member's monthly compensation.

*Employer contributions to the system* – During the 2021 Legislative Session, Senate Bill 175 was passed suspending the employer contributions beginning the first full pay period occurring in July 2021 through the last full pay period occurring in June 2023. Beginning July



1, 2023, employer contributions will then resume at a reduced rate of 14.00% down from the current statutory rate of 25.81%. If the funded ratio of the JRS drops below 120%, the employer contribution rate will return to 25.81%. This impacts measurement date June 30, 2022, for employer reporting date June 30, 2023.

**Highway Patrol Officers' Retirement System** – The HPORS, administered by the MPERA, is a single-employer defined benefit plan established on July 1, 1945, and governed by Title 19, chapters 2 & 6, MCA. This plan provides retirement benefits to all members of the Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the Legislature. The HPORS provides retirement, disability, and death benefits to plan members and their statutory beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights for death and disability are vested immediately. All other member rights are vested after 5 or 10 years of service.

Section 19-6-709, MCA provides eligible members retired prior to July 1, 1991, or their survivors, an annual supplemental lump-sum payment distributed each September. This lump-sum payment is funded by a statutory appropriation requested by the PERB from the General Fund. Factors impacting eligibility include the number of years the recipient has received a service retirement or disability benefit, the recipient's age, and whether the recipient is employed in a position covered by a retirement system under Title 19, MCA.

#### **Deferred Retirement Option Plan (DROP)**

Beginning October 1, 2015, eligible members of HPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 6, Part 10, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the HPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory employer contributions continue to the retirement system; mandatory employee contributions are deposited to the member's DROP account. A monthly benefit is calculated based on salary and years of service to date as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the Internal Revenue Service (IRS). If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2022, the balance held by MPERA for HPORS DROP participants was approximately \$6.2 million.

#### **Summary of Benefits**

##### *Member's highest average compensation (HAC)*

Hired prior to July 1, 2013 – HAC during any consecutive 36 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

##### *Eligibility for benefit*

20 years of membership service, regardless of age.

##### *Early Retirement*

Hired prior to July 1, 2013 – 5 years of membership service, actuarially reduced from age 60.

Hired on or after July 1, 2013 – 10 years of membership service, actuarially reduced from age 60.

*Second Retirement* (applies to retirement system members who return on or after July 1, 2017, to active service covered by the system from which they retired):

- a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - is not awarded service credit for the period of reemployment;
  - is refunded the accumulated contributions associated with the period of reemployment;
  - starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
  - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.
- b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
  - is awarded service credit for the period of reemployment;
  - starting the first month following termination of service, receives:
    - the same retirement benefit previously paid to the member; and
    - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
  - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
    - on the initial retirement benefit starting January immediately following second retirement; and
    - on the second retirement benefit starting in January after receiving that benefit for at least 12 months
- c. A member who returns to covered service is not eligible for a disability benefit.

*Vesting*

Hired prior to July 1, 2013 – 5 years of membership service.

Hired on or after July 1, 2013 – 10 years of membership service.

*Monthly benefit formula*

Retire prior to July 1, 2013 – 2.5% of HAC per year of service credit.

Retire on or after July 1, 2013 – 2.6% of HAC per year of service credit.

*Guaranteed Annual Benefit Adjustment (GABA)*

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Hired on or after July 1, 2013 – after the member has completed 36 full months of retirement, the member's benefit increase by a maximum of 1.5% each January, inclusive of all other adjustments to the member's benefit.

*Minimum Monthly Benefit (non-GABA)*

If hired prior to July 1, 1997, and member did not elect GABA – the minimum monthly benefit is equal to 2% of the service credit multiplied by the current base compensation of a probationary highway patrol officer. Any annual increase is limited to 5.0% over the current benefit and may not exceed 60% of the current base salary of a probationary officer.

**Contributions to the Plan**

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system* – Contributions are deducted from each member's salary and remitted by participating employer.

Hired prior to July 1, 1997, and not electing GABA – Plan members are required to contribute 13.00%.

Hired after June 30, 1997, and electing GABA – Plan members are required to contribute 13.05%.

Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

*Employer contributions to the system* – As the employer, the State is required to contribute 38.33% of a member's compensation. The first 28.15% is payable from the same sources used to pay a member's compensation. The remaining amount, equal to 10.18%, is payable from the General Fund through a statutory appropriation. Employer contributions and state contributions (if any) must be paid on all working retirees.

**Game Wardens' & Peace Officers' Retirement System** – The GWPORS, administered by the MPERA, is a multi-employer, cost-sharing defined benefit plan established in 1963, and governed by Title 19, chapters 2 & 8, MCA. This plan provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the Legislature. The GWPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation.

The State of Montana and its discretely presented component units are the only employers who participate in the GWPORS. Therefore, while the plan is considered to be a multi-employer, cost-sharing defined benefit plan for actuarial valuation purposes, in accordance with GASB 68, the plan is treated as if it were a single-employer defined benefit pension plan type for financial reporting.

### Summary of Benefits

#### *Member's highest average compensation (HAC)*

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

#### *Eligibility for benefit*

Service Retirement

Age 50, 20 years of membership service.

#### *Early Retirement (reduced benefit)*

Age 55 with 5 years of membership service.

#### *Vesting*

5 years of membership service.

#### *Monthly benefit formula*

2.5% of HAC per year of service credit.

#### *Guaranteed Annual Benefit Adjustment (GABA)*

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

### **Contributions to the Plan**

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system* – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.56% of member's compensation. Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

*Employer contributions to the system* – State agency and university employers are required to contribute 9.0% of a member's compensation. Employer contributions and state contributions (if any) must be paid on all working retirees.

**Public Employees' Retirement System - Defined Benefit Retirement Plan** – The PERS-DBRP, administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, Chapters 2 & 3, MCA. This plan covers employees of the State and local governments, and certain employees of the Montana University System and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System-Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation.

### **Summary of Benefits**

*Member's highest average compensation (HAC)*

Hired prior to July 1, 2011 – HAC during any consecutive 36 months;

Hired on or after July 1, 2011 – HAC during any consecutive 60 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

*Eligibility for benefit*

Service retirement:

Hired prior to July 1, 2011 –

Age 60, 5 years of membership service;

Age 65, regardless of membership service; or

Any age, 30 years of membership service.

Hired on or after July 1, 2011 –

Age 65, 5 years of membership service;

Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011 –

Age 50, 5 years of membership service; or

Any age, 25 years of membership service.

Hired on or after July 1, 2011 – Age 55, 5 years of membership service.

Second retirement (all require returning to PERS-covered employment or PERS service):

Retire before January 1, 2016, and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016, and accumulate less than 5 years' additional service credit:

- A refund of member's contributions from second employment plus regular interest (0.77%);
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- GABA starts again in the January immediately following second retirement

Retire before January 1, 2016, and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving recalculated benefit for 12 months

Retire on or after January 1, 2016, and accumulate 5 or more years of additional service credit:

- The same retirement benefit as prior to their return to service;
- A second retirement benefit for second period of service based on laws in effect at second retirement;
- GABA starts on both benefits in the January after receiving the original and new benefit for 12 months

#### *Vesting*

5 years of membership service

#### *Monthly benefit formula*

Members hired prior to July 1, 2011 –

Less than 25 years of membership service: 1.785% of HAC per year of service credit;  
25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011 –

Less than 10 years of membership service: 1.5% of HAC per year of service credit;  
10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;  
30 years or more of membership service: 2% of HAC per year of service credit.

*Guaranteed Annual Benefit Adjustment (GABA)* – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
  - 0% whenever the amortization period for PERS is 40 years or more.

#### **Contributions to the Plan**

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system:* Contributions are deducted from each member's salary and remitted by participating Employers. Plan members are required to contribute 7.90% of member's compensation. The 7.90% member contribution rate is temporary and

will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional Employer and additional member contribution rates.

*Employer contributions to the system*

State and University System employers are required to contribute 8.97% of member compensation.

Local government entities are required to contribution 8.87% of member compensation.

School district employers contributed 8.60% of member compensation.

Per the 2013 Legislative Session's House Bill 454, section 4, effective July 1, 2013, PERS employer contributions temporarily increased 1%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The Employer additional contributions, including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. As of January 1, 2022, the additional contributions will not be terminated.

Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employer's reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

*Non-Employer Entity Contributions*

*Special Funding*

The State contributes 0.1% of member compensation on behalf of local government entities.

The State contributes 0.37% of member compensation on behalf of school district entities.

The State contributes a statutory appropriation from the General Fund. Funding provided for the year ended June 30, 2021, totaled \$34.3 million.

**Sheriffs' Retirement System** – The SRS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation.

**Summary of Benefits**

*Member's highest average compensation (HAC)*

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

*Eligibility for benefit*

Service Retirement: 20 years of membership service, regardless of age.

Early Retirement: Age 50, 5 years of membership service, actuarially reduced.

*Second Retirement* (applies to retirement system members re-employed in a SRS position on or after July 1, 2017):

- a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - is not awarded service credit for the period of reemployment;
  - is refunded the accumulated contributions associated with the period of reemployment;
  - starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
  - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.
- b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
  - is awarded service credit for the period of reemployment;
  - starting the first month following termination of service receives:
    - the same retirement benefit previously paid to the member; and
    - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
  - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
    - on the initial retirement benefit starting in January immediately following second retirement; and
    - on the second retirement benefit starting in January after receiving that benefit for at least 12 months
- c. A member who returns to covered service is not eligible for a disability benefit.

*Vesting*

5 years of membership service

*Monthly benefit formula*

2.5% of HAC per year of service

*Guaranteed Annual Benefit Adjustment (GABA)*

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

**Contributions to the Plan**

Rates are specified by state law for periodic employee and employer contributions and are a percentage of the member's compensation. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system* – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.495% of member's compensation. Member contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

*Employer contributions to the system* – The employers are required to contribute 13.115% of member compensation. Employer contributions are required to be paid on working retiree compensation.

**Municipal Police Officers' Retirement System** – The MPORS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1974 and is governed by Title 19, chapters 2 & 9, MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and final average compensation.

#### **Deferred Retirement Option Plan (DROP)**

Beginning July 2002, eligible members of the MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 9, Part 10, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2022, the balance held by MPERA for MPORS DROP participants was approximately \$9.7 million.

The State is not an employer participant in the MPORS plan. However, because the PERB is a fiduciary component unit of the State, this ACFR presents certain information to help ensure compliance with GASB 67. In addition, the State provides nonemployer entity contributions classified as special funding in accordance with GASB 68. Disclosures made in this financial report for MPORS are meant to reflect the aforementioned relationships.

#### **Summary of Benefits**

##### *Member's final average compensation (FAC)*

Hired prior to July 1, 1977 – average monthly compensation of final year of service;

Hired on or after July 1, 1977 – final average compensation (FAC) for last consecutive 36 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's FAC.

##### *Eligibility for benefit*

Service Retirement: Age 50, with 5 years of membership service, or 20 years of membership service, regardless of age.

Second Retirement: Age 50, reemployed in a MPORS position

##### *Vesting*

Death and disability rights are vested immediately.

5 years of membership service.

##### *Monthly benefit formula*

2.5% of FAC per year of service credit.



*Second retirement benefit formula* for members re-employed in a MPORS position after July 1, 2017:

- (1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - a. Is not awarded service credit for the period of reemployment;
  - b. Is refunded the accumulated contributions associated with the period of reemployment;
  - c. Starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
  - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- (2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
  - a. Is awarded service credit for the period of reemployment;
  - b. Starting the first month following termination of service receives:
    - i. The same retirement benefit previously paid to the member, and
    - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
  - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
    - i. On the initial retirement benefit in January immediately following second retirement, and
    - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- (3) A member who returns to covered service is not eligible for a disability benefit.

*Guaranteed Annual Benefit Adjustment (GABA)*

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

*Minimum benefit adjustment (non-GABA)* If hired before July 1, 1997, and member did not elect GABA – the monthly retirement, disability, or survivor's benefit may not be less than 50% of the compensation of a newly confirmed officer of the employer where the member was last employed.

**Contributions to the Plan**

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions* – Contribution rates are dependent upon the date of hire as a police officer. Contributions are deducted from each member's salary and remitted by the participating Employer. For fiscal year 2022:

- If hired prior to July 1, 1975, member contributions as a percentage of salary are 5.80%
- If hired after June 30, 1975, and prior to July 1, 1979, member contributions as a percentage of salary are 7.00%;
- If hired after June 30, 1979, and prior to July 1, 1997, member contributions as a percentage of salary are 8.50%; and,
- If hired on or after July 1, 1997, and for members electing GABA, member contributions as a percentage of salary are 9.00%.
- Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

*Employer Contributions* – Employers are required to contribute 14.41% of a member's compensation. Employer contributions and state contributions (if any) must be paid on all working retirees.

*Nonemployer Entity Contributions* – The State contributes 29.37% of a member's compensation from the General Fund. These amounts are considered a special funding situation in accordance with GASB 68.

**Firefighters' Unified Retirement System** – The FURS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation.

### **Summary of Benefits**

#### *Member's compensation*

Hired prior to July 1, 1981, and not electing GABA – highest monthly compensation (HMC);  
Hired after June 30, 1981, and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

Part-time firefighter – 15% of regular compensation of a newly confirmed full-time firefighter.

#### *Eligibility for benefit*

Service retirement: 20 years of membership service, regardless of age.

Early Retirement: Age 50, 5 years of membership service.

#### *Vesting*

Death and disability rights are vested immediately

5 years of membership service.

#### *Monthly benefit formula*

Members hired prior to July 1, 1981, and not electing GABA are entitled to the greater of:

2.5% of HMC per year of service; or

- if less than 20 years of service – 2% of HMC for each year of service;
- if more than 20 years of service – 50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years.

Members hired on or after July 1, 1981, and those electing GABA: 2.5% of HAC per year of membership service.

#### *Guaranteed Annual Benefit Adjustment (GABA)*

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

#### *Minimum Benefit Adjustment (non-GABA)*

If hired before July 1, 1997, and the member did not elect GABA, the monthly retirement, disability, or survivor's benefit may not be less than 50% of the compensation of a newly confirmed active firefighter of the employer that last employed the member.

### **Contributions to the Plan**

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

*Member contributions to the system* – Contributions are deducted from each member's salary and remitted by the participating employer. For members:

Hired prior to July 1, 1997, and not electing GABA, member contributions as a percentage of salary are 9.50%;

Hired on or after July 1, 1997, and electing GABA, member contributions as a percentage of salary are 10.70%.

Member contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

*Employer contributions to the system* – Employers are required to contribute 14.36% of member's compensation. Employer contributions and state contributions (if any) must be paid on all working retirees.

*Nonemployer entity contributions to the system* – The State contributes 32.61% of a member's compensation from the General Fund.

**Volunteer Firefighters' Compensation Act** – The VFCA, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1965, and governed by Title 19, chapter 17, MCA. All members are unpaid volunteers and the State is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability, and survivorship benefits for all eligible volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages, and includes volunteer fire departments, fire districts, and fire service areas under the laws of the State. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. The VFCA also provides limited benefits for death or injuries incurred in the line of duty. A member who chooses to retire and draw a pension benefit may return to service with a volunteer fire department without loss of benefits. However, a returning retired member may not be considered an active member accruing credit for service.

### **Summary of Benefits**

*Eligibility for benefit*

Age 55, 20 years of credited service;

Age 60, 10 years of credited service.

Effective July 1, 2011, members who retire on or after July 1, 2011, and have greater than 30 years of credited service will receive \$7.50 per month for each additional year of credited service over 30 years if the pension trust fund is actuarially sound, amortizing any unfunded liabilities in 20 years or less. This determination will be made annually and a member's benefit will be capped at \$250 a month (30 years of credited service) if the amortization period grows to greater than 20 years.

*Vesting*

10 years of credited service.

*Monthly benefit formula (effective January 1, 2016)*

\$8.75 per year of credited service up to 20 years;

\$7.50 per year of credited service after 20 years

### **Contributions to the Plan**

The State, as a nonemployer contributing entity, is the only contributor to the VFCA. Contributions are 5% of fire insurance premium taxes collected on certain fire risks. This requires the plan to be treated as a special funding situation in accordance with GASB 68. The State Auditor makes annual payments from

the General Fund to the VFCA fund. Rates are specified by state law for contributions to the VFCA plan. The State legislature has the authority to establish and amend contribution rates to the plan.

**Teachers' Retirement System** – The TRS is administered by the Teachers' Retirement Board (TRB), which is the governing body of a mandatory multiple-employer cost-sharing defined benefit pension plan that provides retirement services to persons in Montana employed as teachers or professional staff of any public elementary or secondary school, community college, or unit of the university system. The TRS, as an employer, does not participate in the plan and acts only as the administrator of the plan.

The TRB is the governing body of the TRS, and the TRS's staff administer the TRS in conformity with the laws set forth in Title 19, chapter 20, MCA, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana.

### **Summary of Benefits**

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Benefits are established by state law and can only be amended by the Legislature.

Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (AFC) (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation—1.85% of the AFC multiplied by the years of creditable service—for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than  $1.6667 \times \text{AFC} \times \text{years of creditable service}$ )

A guaranteed annual benefit adjustment (GABA) is payable on January 1 of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1. For Tier Two members, the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

### **Contributions to the System**

All active employees in the TRS, regardless of employer type, are required to provide a contribution equal to 8.15% of their compensation.

All State and University employers are required to contribute 11.65% of compensation provided to an active, non-reemployed member. All school districts and other employers are required to contribute 9.27% of an active, non-reemployed, member's compensation to the System.

Section 19-20-605, MCA, requires each employer to contribute 9.85% of total compensation paid to all reemployed TRS retirees employed in a TRS reportable position. Pursuant to Section 19-20-609, MCA,

this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of reemployed retiree compensation.

The TRS receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation, and the State is treated as a nonemployer contributing entity in the TRS. The System receives 0.11% of earned compensation from the General Fund for all TRS members. The TRS also receives 2.38% of earned compensation from the General Fund for TRS members employed at school districts, community colleges, educational cooperatives, and counties in Montana. Finally, the State is also required to contribute \$25.0 million in perpetuity payable July 1 of each year. The Legislature has the authority to establish and amend contribution rates to the plan.

**(2) Actuarial Assumptions**

For all plans administered by MPERA, the total pension liability used to calculate the net pension liability/ (asset) for each plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions, applied to all periods included in the measurement, with update procedures used to roll forward the total pension liability to June 30, 2021. For the TRS plan, the total pension liability used to calculate the net pension liability as of June 30, 2021, is based on the results of an actuarial valuation as of July 1, 2021. Therefore, no update procedures were used for TRS to roll forward the total pension liability to the measurement date. The significant assumptions and other inputs used to measure the total pension liability were the following:

Plan	JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS	
Administrator	MPERA								TRS	
Valuation Date	June 30, 2020								July 1, 2021	
Actuarial Experience Study	May 2017								May 2018	
Inflation	2.40%								2.40 %	
Total Wage Increases, including inflation	3.50%	3.50% to 10.02%	3.50% to 10.02%	3.50% to 8.47%	3.50% to 10.02%	3.50% to 10.33%	3.50% to 10.02%	N/A	3.25% to 7.76% for non-university members 4.25% for university members	
General Wage Growth	3.50%								N/A	3.25 %
Merit Increase	None	0 to 6.30%	0 to 6.30%	0 to 4.80%	0 to 6.30%	0 to 6.60%	0 to 6.30%	N/A	0 to 4.51% for non-university members 1.00% for university members	
Investment Return	7.06%								7.06 %	
Administrative Expense as a % of Payroll	0.11%	0.23%	0.17%	0.28%	0.17%	0.18%	0.17%	\$293.5 thousand	0.46 %	

<p>Post-retirement Benefit Increases and GABA</p>	<p>7/1/1997 or elected GABA – 3.0%</p>	<p>7/1/1997 or elected GABA - 3.0% 7/1/2013 - 1.5%</p>	<p>Pre-7/1/2007 - 3.0% 7/1/2007 - 1.5%</p>	<p>Pre-7/1/2007 - 3.0% 7/1/2007 through 6/30/2013 - 1.5% 7/1/2013 - (a) 1.5% for each year if PERS is funded at or above 90%; (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and, (c) 0% whenever the amortization period is 40 years or more</p>	<p>Pre-7/1/2007 - 3.0% 7/1/2007 - 1.5%</p>	<p>7/1/1997 or elected GABA - 3.0%</p>	<p>7/1/1997 or elected GABA - 3.0%</p>	<p>N/A</p>	<p>Tier One members - 1.5% Tier Two members - equal to or greater than 0.5% but no more than 1.5%</p>
<p>Post-retirement Benefit Increases - Waiting Period</p>	<p>1 year</p>	<p>Pre-7/1/2013 - 1 year 7/1/2013 - 3 years</p>	<p>1 year</p>	<p>1 year</p>	<p>1 year</p>	<p>1 year</p>	<p>1 year</p>	<p>N/A</p>	<p>3 years</p>
<p>Post-retirement Benefit Increases - Minimum Benefit Adjustment</p>	<p>Pre-7/1/1997 and did not elect GABA: benefits increase same as salary of sitting judge.</p>	<p>Pre-7/1/1997 and did not elect GABA: 2% x service credits x base salary of probationary officer. Limited to 5.0% over current benefit and may not exceed 60% of base salary of probationary officer.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>Pre-7/1/1997 and did not elect GABA - 1/2 of monthly salary of new officer</p>	<p>Pre-7/1/1997 and did not elect GABA - 1/2 of monthly salary of new firefighter</p>	<p>N/A</p>	<p>N/A</p>

<p>Mortality</p>	<p>Mortality assumptions among contributing members, terminated vested members, service retired members, and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males. Mortality assumptions among disabled retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.</p>	<p>Mortality among contributing members, service retired members, and beneficiaries are based on RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvements which is expected to occur in the future. Mortality among disabled members are based on RP-2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022, and RP-2000 Disabled Mortality Table for Females, set forward two years, with mortality improvements projected by Scale BB to 2022.</p>
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*Changes in actuarial assumptions and methods:* For JRS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS the discount rate was lowered from 7.34% to 7.06%. For HPORS, the discount rate was increased from 4.43% to 7.06%. For GWPORS, the discount rate was increased from 5.65% to 7.06%. For JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS the investment rate of return was lowered from 7.34% to 7.06%. For JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS the inflation rate remained at 2.40%.

*Changes in benefit terms:* There have been no changes in benefit terms since the previous measurement date, for JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS.

*Changes in proportionate share:* Because the State is the single employer for JRS and HPORS, there were no changes in proportion of the net pension assets for JRS plan and the net pension liability for HPORS plan. Between the measurement date of the net pension liability (asset) and the State's reporting date, the investment rates of return of JRS and HPORS were lower than the investment rates of return assumption. Therefore, the State's net pension assets for JRS are expected to decrease and the State's net pension liability for HPORS are expected to increase.

*Changes in proportionate share:* Between the measurement date of the collective net pension liability and the State's reporting date, the investment rate of return of GWPORS was lower than the investment rate of return assumption. Therefore, the State's proportionate share of the collective net pension liability as the State's primary government employer, and the State's discretely presented component units are expected to change. The State still reports 100.0% GWPORS plan, and the total plan net pension liability are expected to increase.

*Changes in proportionate share:* Between the measurement date of the collective net pension liability and the State's reporting date, the investment rates of return of PERS-DBRP, SRS, MPORS, FURS, and TRS plans were lower than the investment rates of return assumption. Therefore, the State's proportionate

share amounts of the collective net pension liability as the State's employer and non-employer contributing entity in applicable plans are expected to increase.

*Changes in proportionate share:* Because the State is the only contributing entity, there were no changes in proportion of the net pension liability for VFCA plan. The State reports 100.0% VFCA plan. Between the measurement date of the collective net pension liability and the non-employer's reporting date, the investment rate of return of VFCA was lower than the investment rate of return assumption. Therefore, the State's non-employer proportionate share of the collective net pension liability is expected to increase.

### **(3) Discount Rate**

The discount rate used to measure the total pension liability was 7.06% for JRS, HPORS, GWPORS, and SRS. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, each pension plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2106 for JRS, 2129 for HPORS, 2124 for GWPORS, and 2124 for SRS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate for JRS, SRS, HPORS and GWPORS.

The discount rate used to measure the total pension liability for PERS-DBRP, MPORS, and FURS was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, each pension plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126 for PERS-DBRP, 2134 for MPORS, and 2133 for FURS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

The discount rate used for VFCA to measure the total pension liability was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from the nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the VFCA's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. A municipal bond rate was not incorporated in the discount rate.

The discount rate used to measure the total pension liability for TRS was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entity will be made based on the TRB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the TRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.



#### (4) Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, and VFCA plans administered by MPERA. The most recent analysis of each plan, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the TRS. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.66%. Assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.06%. All the plans administered by MPERA and TRS have the same target allocation and long-term expected real rate of return. The target allocation and best estimates of the arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized in the table below:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	3.00%	-0.33%
Total	<u>100.00%</u>	

**(5) Change in Net Pension Liability (Asset)**

A schedule of changes in the net pension liability (asset) is presented for each of the single-employer defined benefit plans (amounts expressed in thousands). The date in the schedules is a measurement date, which is one year earlier than the financial reporting date.

	JRS		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at 6/30/2020	\$ 69,521	\$ 106,066	\$ (36,545)
Service costs	1,897	—	1,897
Interest	4,949	—	4,949
Difference between expected and actual experience	376	—	376
Changes of assumptions	1,870	—	1,870
Contributions – employer	—	2,139	(2,139)
Contributions – member	—	589	(589)
Net investment income	—	29,150	(29,150)
Refunds of contributions	—	—	—
Benefit payments	(4,205)	(4,205)	—
Plan administrative expense	—	(126)	126
Other changes	—	(3)	3
Net changes	4,887	27,544	(22,657)
Balances at 6/30/2021	\$ 74,408	\$ 133,610	\$ (59,202)

	HPORS		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2020	\$ 385,799	\$ 151,968	\$ 233,831
Service costs	7,578	—	7,578
Interest	16,742	—	16,742
Difference expected and actual experience	1,913	—	1,913
Changes in assumptions	(125,247)	—	(125,247)
Contributions – employer	—	6,423	(6,423)
Contributions – non-employer (State)	—	224	(224)
Contributions – member	—	2,206	(2,206)
Net investment income	—	41,277	(41,277)
Refund of contributions	(2,026)	(2,026)	—
Benefit payments	(13,710)	(13,710)	—
Plan administrative expense	—	(342)	342
Other changes	—	(40)	40
Net changes	(114,750)	34,012	(148,762)
Balances at 6/30/2021	\$ 271,049	\$ 185,980	\$ 85,069

## GWPORS

	<u>State as Primary Government Employer</u>			<u>State's Discretely Presented Component Units</u>			<u>Total State (Plan)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at 6/30/2020	\$ 330,410	\$ 202,108	\$ 128,302	\$ 17,660	\$ 10,802	\$ 6,858	\$ 348,070	\$ 212,910	\$ 135,160
Service costs	11,775		11,775	540		540	12,315	—	12,315
Interest	18,529		18,529	850		850	19,379	—	19,379
Difference between expected and actual experience	4,711		4,711	216		216	4,927	—	4,927
Changes in assumptions	(65,676)		(65,676)	(3,012)		(3,012)	(68,688)	—	(68,688)
Contributions – employer		5,174	(5,174)		237	(237)	—	5,411	(5,411)
Contributions – member		6,113	(6,113)		280	(280)	—	6,393	(6,393)
Net investment income		56,535	(56,535)		2,593	(2,593)	—	59,128	(59,128)
Refunds of contributions	(832)	(832)	—	(38)	(38)	—	(870)	(870)	—
Benefit payments	(8,876)	(8,876)	—	(407)	(407)	—	(9,283)	(9,283)	—
Plan administrative expense		(224)	224		(10)	10	—	(234)	234
Other changes <sup>(1)</sup>	2,399	1,407	992	(2,399)	(1,470)	(929)	—	(63)	63
Net changes	(37,970)	59,297	(97,267)	(4,250)	1,185	(5,435)	(42,220)	60,482	(102,702)
Balances at 6/30/2021	\$ 292,440	\$ 261,405	\$ 31,035	\$ 13,410	\$ 11,987	\$ 1,423	\$ 305,850	\$ 273,392	\$ 32,458

<sup>(1)</sup> The Changes in Net Pension Liability table is only provided at the system level. The ending balances and the components of the changes are derived from the primary government's proportionate share of the total plan balances and the discretely presented component unit's proportionate share of the total plan balances. Due to the change in proportionate share in each year, the other changes line item includes the difference between the proportionate share of the balances and the preliminary calculated balances.

**(6) Sensitivity Analysis**

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability/(asset) to changes in the discount rate, the table below presents the net pension liability/(asset), of the plans administered by MPERA and TRS, calculated using the discount rate of 7.06% for all plans; as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1.00% lower (6.06% for all plans) or 1.00% higher (8.06% for all plans) than the current rate.

**Sensitivity of the Plan Participating Employer and Nonemployer Contributing Entities  
Net Pension Liability (Asset) to Changes in the Discount Rate  
(amounts expressed in thousands)**

		Plan	JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS
Primary Government	State as Employer	1.0% Decrease	\$ (51,840)	\$ 123,699	\$ 75,535	\$ 1,230,812	\$ 7,835	\$ —	\$ 4,880	\$ —	\$ 25,069
		Current	(59,202)	85,069	31,035	775,391	3,709	—	2,151	—	16,872
		1.0% Increase	(65,538)	54,050	(5,181)	393,398	343	—	(35)	—	10,032
	State as NER	1.0% Decrease	—	—	—	379,195	—	199,349	131,391	6,460	880,185
		Current	—	—	—	238,887	—	121,842	57,910	1,323	592,396
		1.0% Increase	—	—	—	121,200	—	60,230	(949)	(3,005)	352,241
Discretely Presented Component Units	1.0% Decrease	—	—	3,464	222,226	—	—	—	—	28,233	
	Current	—	—	1,423	139,999	—	—	—	—	19,002	
	1.0% Increase	—	—	(238)	71,029	—	—	—	—	11,299	
Fiduciary Component Units	1.0% Decrease	—	—	—	2,249	—	—	—	—	—	
	Current	—	—	—	1,417	—	—	—	—	—	
	1.0% Increase	—	—	—	719	—	—	—	—	—	
Total	1.0% Decrease	(51,840)	123,699	78,999	1,834,482	7,835	199,349	136,271	6,460	933,487	
	Current	(59,202)	85,069	32,458	1,155,694	3,709	121,842	60,061	1,323	628,270	
	1.0% Increase	\$ (65,538)	\$ 54,050	\$ (5,419)	\$ 586,346	\$ 343	\$ 60,230	\$ (984)	\$ (3,005)	\$ 373,572	

**(7) Net Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

In accordance with GASB 68, the employer is required to recognize and report certain amounts associated with its participation in the JRS, HPORS, and GWPORS, the plans the State participates in as a single-employer. GASB 68 became effective June 30, 2015, and includes requirements for participant to record and report its net pension liability (NPL) or net pension asset (NPA), pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. In accordance with GASB 68, employers and the nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. The proportionate shares were determined based on contributions made to the plan by employers and the nonemployer contributing entity in a special funding situation, when a plan has the nonemployer contributing entity, during the measurement period July 1, 2020, through June 30, 2021, relative to the total contributions received from all participating employers and the nonemployer contributing entity. Due to the existence of the special funding situation in the PERS-DBRP, FURS, MPORS, VFCA, and TRS, the State is required to report a proportionate share of the collective net pension liability that is associated with the non-State employers in these plans, respectively.

**Net Pension Liability (Asset):** The following presents the state's net pension liability as of June 30, 2022 (amounts presented in thousands):

Plan as of Measurement Date		Net Pension Liability (Asset) as of 6/30/2020	Net Pension Liability (Asset) as of 6/30/2021	Percent of NPL/NPA as of 6/30/2020	Percent of NPL/NPA as of 6/30/2021	Change in Percent of NPL/NPA
<b>JRS</b>	Primary government	\$ (36,545)	\$ (59,202)	100 %	100 %	— %
<b>HPORS</b>	Primary government	233,831	85,069	100 %	100 %	— %
<b>GWPORS</b>	<i>Primary government</i>	128,302	31,035	94.926189 %	95.615426 %	0.689237 %
	<i>Discretely presented component units</i>	6,858	1,423	5.073811 %	4.384574 %	(0.689237)%
	State of Montana totals	135,160	32,458	100 %	100 %	— %

**Collective Net Pension Liability:** The following presents the state's proportionate share of the collective net pension liability as of June 30, 2022 (amounts presented in thousands).

Plan as of Measurement Date		Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
<b>PERS-DBRP</b>	<i>Primary government</i>	\$ 1,088,713	\$ 775,391	41.267072 %	42.763145 %	1.496073 %
	<i>Discretely presented component units</i>	202,017	139,999	7.657348 %	7.720995 %	0.063647 %
	<i>Fiduciary component units</i>	1,921	1,417	0.072815 %	0.078149 %	0.005334 %
	<i>Nonemployer contributing entity</i>	375,032	238,887	14.215404 %	13.174701 %	(1.040703)%
	State of Montana totals	1,667,683	1,155,694	63.212639 %	63.736990 %	0.524351 %
<b>SRS</b>	Primary government	5,800	3,709	4.758893 %	5.092398 %	0.333505 %
<b>MPORS</b>	Nonemployer contributing entity	163,514	121,842	66.853347 %	67.024527 %	0.171180 %
<b>FURS</b>	<i>Primary government</i>	3,722	2,151	2.378643 %	2.513625 %	0.134982 %
	<i>Nonemployer contributing entity</i>	105,867	57,910	67.656380 %	67.671029 %	0.014649 %
	State of Montana totals	109,589	60,061	70.035023 %	70.184654 %	0.149631 %
<b>VFCA</b>	Nonemployer contributing entity	9,106	1,323	100 %	100 %	— %
<b>TRS</b>	<i>Primary government</i>	22,906	16,872	1.018287 %	1.018546 %	0.000259 %
	<i>Discretely presented component units</i>	28,906	19,002	1.285043 %	1.147083 %	(0.137960)%
	<i>Nonemployer contributing entity</i>	822,282	592,396	36.554642 %	35.761137 %	(0.793505)%
	State of Montana totals	874,094	628,270	38.857972 %	37.926766 %	(0.931206)%

### Pension Expense

The State recognized the following pension expenses for the State as the primary government employer, the State's discretely presented component units, and the State's fiduciary component units, and pension grant expenses for the State as nonemployer contributing entity, for the year ended June 30, 2022 (amounts presented in thousands):

Plan	Primary Government				Total
	State as Employer	State as Nonemployer Contributing Entity	Discretely Presented Component Units	Fiduciary Component Units	
JRS	\$ (4,215)	\$ —	\$ —	\$ —	(4,215)
HPORS	11,154	—	—	—	11,154
GWPORS	5,537	—	120	—	5,657
PERS-DBRP <sup>(1)</sup>	73,366	68,080	9,456	140	151,042
SRS	(44)	—	—	—	(44)
MPORS <sup>(2)</sup>	—	20,142	—	—	20,142
FURS <sup>(3)</sup>	435	11,699	—	—	12,134
VFCA <sup>(4)</sup>	—	798	—	—	798
TRS <sup>(5)</sup>	1,743	37,822	12,604	—	52,169

<sup>(1)</sup> Of the total pension expense for the State as a nonemployer contributing entity, \$1.1 million is the grant expense for special funding support provided by the General Fund to local government and school district participants, \$34.6 million is the grant expense for special funding support provided by the General Fund as a statutory appropriation for all participating employers; \$32.3 million is the pension expense that is actuarially allocated to the State as a nonemployer contributing entity.

<sup>(2)</sup> The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective MPORS pension expense that is associated with other employer participants in the plan.

<sup>(3)</sup> The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective FURS pension expense that is associated with other employer participants in the plan.

<sup>(4)</sup> The grant expense for the State as a nonemployer contributing entity is for special funding support provided by a portion of fire tax premiums paid to the State and transferred to MPERA for its proportionate share of the collective VFCA pension expense that is associated with other employer participants in the plan.

<sup>(5)</sup> The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective TRS pension expense that is associated with other employer participants in the plan.

### Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of the fiscal year ended June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts presented in thousands):

JRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 968	\$ 131
Changes of assumptions	2,358	—
Net difference between projected and actual earnings on pension plan investments	—	13,479
Contributions subsequent to the measurement date	79	—
<b>Totals</b>	<b>\$ 3,405</b>	<b>\$ 13,610</b>

HPORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,038	\$ 496
Changes of assumptions	70,527	93,935
Net difference between projected and actual earnings on pension plan investments	—	19,020
Contributions subsequent to the measurement date	6,835	—
<b>Totals</b>	<b>\$ 79,400</b>	<b>\$ 113,451</b>

GWPORS	Primary Government		Discretely Presented Component Units		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,447	\$ 2,971	\$ 204	\$ 136	\$ 4,651	\$ 3,107
Changes in assumptions	49,319	49,257	2,262	2,259	51,581	51,516
Net difference between projected and actual earnings on pension plan investments	—	26,320	—	1,207	—	27,527
Changes in proportion and differences between employer contributions and proportionate share of contributions	924	621	—	302	924	924
Contributions subsequent to the measurement date	4,635	—	243	—	4,878	—
<b>Totals</b>	<b>\$ 59,325</b>	<b>\$ 79,169</b>	<b>\$ 2,709</b>	<b>\$ 3,904</b>	<b>\$ 62,034</b>	<b>\$ 83,074</b>

PERS-DBRP	Primary Government				Discretely Presented Component Units		Fiduciary Component Units	
	State as Employer		State as Nonemployer Contributing Entity		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources				
Difference between expected and actual experience	\$ 8,275	\$ 5,613	\$ 2,549	\$ 1,729	\$ 1,494	\$ 1,013	\$ 15	\$ 10
Change of assumptions	114,850	—	35,384	—	20,736	—	210	—
Net difference between projected and actual earnings on pension plan investments	—	314,119	—	96,775	—	56,715	—	574
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,824	6,796	995	18,613	2,729	566	94	—
Contributions subsequent to the measurement date	63,837	—	20,904	—	13,060	—	123	—
<b>Totals</b>	<b>\$ 214,786</b>	<b>\$ 326,528</b>	<b>\$ 59,832</b>	<b>\$ 117,117</b>	<b>\$ 38,019</b>	<b>\$ 58,294</b>	<b>\$ 442</b>	<b>\$ 584</b>

SRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 480	\$ —
Changes of assumptions	1,405	—
Net difference between projected and actual earnings on pension plan investments	—	2,507
Changes in proportion and differences between employer contributions and proportionate share of contributions	192	—
Contributions subsequent to the measurement date	616	—
<b>Totals</b>	<b>\$ 2,693</b>	<b>\$ 2,507</b>

MPORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,875	\$ 1,331
Change of assumptions	23,280	—
Net difference between projected and actual earnings on pension plan investments	—	36,707
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,283	2,243
Contributions subsequent to the measurement date	18,012	—
<b>Totals</b>	<b>\$ 47,450</b>	<b>\$ 40,281</b>

FURS	Primary Government			
	State as Employer		State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 282	\$ 12	\$ 7,582	\$ 315
Change of assumptions	1,101	—	29,646	—
Net difference between projected and actual earnings on pension plan investments	—	1,471	—	39,617
Changes in proportion and differences between employer contributions and proportionate share of contributions	239	1	1,924	2,349
Contributions subsequent to the measurement date	717	—	18,871	—
<b>Totals</b>	<b>\$ 2,339</b>	<b>\$ 1,484</b>	<b>\$ 58,023</b>	<b>\$ 42,281</b>



VFCA	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 221	\$ —
Change of assumptions	1,305	—
Net difference between projected and actual earnings on pension plan investments	—	4,736
Contributions subsequent to the measurement date	2,840	—
<b>Totals</b>	<b>\$ 4,366</b>	<b>\$ 4,736</b>

TRS	Primary Government				Discretely Presented Component Units	
	State as Employer		State as Nonemployer Contributing Entity		Deferred Outflows of Resources	Deferred Inflows of Resources
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources		
Difference between expected and actual experience	\$ 265	\$ —	\$ 9,304	\$ —	\$ 298	\$ —
Change of assumptions	1,921	9	67,453	304	2,164	10
Net difference between projected and actual earnings on pension plan investments	—	5,331	—	187,189	—	6,004
Changes in proportion and differences between employer contributions and proportionate share of contributions	803	638	6,721	33,251	13,083	97
Contributions subsequent to the measurement date	1,456	—	47,680	—	14,760	—
<b>Totals</b>	<b>\$ 4,445</b>	<b>\$ 5,978</b>	<b>\$ 131,158</b>	<b>\$ 220,744</b>	<b>\$ 30,305</b>	<b>\$ 6,111</b>

The amounts reported in the tables above as deferred outflows of resources related to pensions resulting from the contributions made subsequent to the June 30, 2021, measurement date will be recognized as a reduction of the net pension liability (asset) in the fiscal year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts presented in thousands):

Year ended June 30:	JRS	HPORS	SRS	MPORS	VFCA
2023	\$ (1,425)	\$ 446	\$ 49	\$ 4,448	\$ (5)
2024	(1,877)	177	37	1,110	(506)
2025	(2,697)	(35,431)	(64)	(4,518)	(1,153)
2026	(4,285)	(6,078)	(452)	(11,883)	(1,546)
2027	—	—	—	—	—
Thereafter	—	—	—	—	—

Year ended June 30:	GWORS		
	Primary Government	Discretely Presented Component Units	Total
2023	\$ (5,098)	\$ (344)	\$ (5,442)
2024	(5,626)	(365)	(5,991)
2025	(5,446)	(348)	(5,794)
2026	(8,309)	(381)	(8,690)
2027	—	—	—
Thereafter	—	—	—

Year ended June 30:	PERS-DBRP			
	Primary Government		Discretely Presented Component Units	Fiduciary Component Units
	State as Employer	State as Nonemployer Contributing Entity		
2023	\$ 13,585	\$ (8,698)	\$ 2,200	\$ 59
2024	(13,022)	(15,224)	(3,732)	(3)
2025	(75,868)	(23,374)	(13,698)	(138)
2026	(100,274)	(30,893)	(18,105)	(183)
2027	—	—	—	—
Thereafter	—	—	—	—

Year ended June 30:	FURS	
	Primary Government	
	State as Employer	State as Nonemployer Contributing Entity
2023	\$ 47	\$ 514
2024	(4)	(982)
2025	(125)	(3,968)
2026	(192)	(7,214)
2027	412	8,521
Thereafter	—	—

Year ended June 30:	TRS		
	Primary Government		Discretely Presented Component Units
	State as Employer	State as Nonemployer Contributing Entity	
2023	\$ (48)	\$ (21,084)	\$ 6,967
2024	(267)	(19,514)	4,030
2025	(982)	(37,269)	342
2026	(1,692)	(59,399)	(1,905)
2027	—	—	—
Thereafter	—	—	—

## **E. Legal Actuarial Status of Plans**

The Montana Constitution, Article VIII, Section 15, and Section 19-2-409, MCA state that public retirement systems shall be funded on an actuarially sound basis. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost, in addition to amortizing the unfunded liability over a period not to exceed 30 years.

A traditional funding actuarial valuation of each of the defined benefit plans is performed annually. The purpose of the traditional funding actuarial valuation is to measure funding progress and to determine the actuarial determined contribution, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position. The most recent actuarial valuation was performed for fiscal year ended June 30, 2022. The statutory funding rate is tested in the valuation of each public retirement plan to determine if it is sufficient to cover the normal cost rate plus an amortization payment of the unfunded actuarial liability, if any, within 30 years. As of June 30, 2022, Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), and Game Wardens' and Peace Officers' Retirement System (GWORS) were not in compliance and did not amortize within 30 years.

## **F. Public Employee Defined Contribution Retirement Plans**

**Public Employees' Retirement System-Defined Contribution Retirement Plan** – The Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) is a multiple Employer plan established July 1, 2002, and governed by Title 19, Chapters 2 & 3, MCA. This plan is available to eligible employees of the State, Montana University System, local governments, and school districts. All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to transfer to the PERS-DCRP, or remain in the PERS-DBRP, by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. The PERS-DCRP provides retirement, disability, and death benefits to plan members and their beneficiaries.

Member and employer contribution rates are established by state law and may be amended only by the Legislature. Employees contribute at a rate of 7.90% of their compensation. Contributions made to the plan by an employee remain 100% vested in their interest. Members who achieve 5 years of employment are vested in the plan. Should they terminate prior to this 5-year period, all employer contributions are forfeited to the plan. Amounts forfeited are held in a separate plan forfeiture account and can only be used to pay the administrative expenses, including startup costs, of the plan. Total pension expense for the State as a PERS-DCRP employer for the year ended June 30, 2022, is \$10.3 million and, contribution forfeitures were \$994.6 thousand.

Local government entities contribute 8.87% of member compensation. School district employers contributed 8.60% of member compensation. The State contributes 0.10% of member compensation on behalf of local government entities and 0.37% of member compensation on behalf of school district entities. Each State agency and University employer contributed 8.97% of member compensation.

The total contribution rate of 8.97%, referenced in the preceding paragraph, is allocated as follows: 8.63% to the member's retirement account; 0.04% to the defined contribution education fund; and 0.30% to the defined contribution Other Post Employment Benefit (OPEB) disability plan.

The PERS-DCRP also administers an OPEB disability plan. Refer to PERB's annual financial report for additional information related to this portion of the plan.

## **G. Montana University System Retirement Program**

**Montana University System-Retirement Program (MUS-RP)** – This system was established in January 1988 and is underwritten by the Teachers Insurance and Annuity Association (TIAA). Effective July 1, 1993, MUS-RP was made the mandatory retirement plan for new faculty and administrative staff with

contracts under the authority of the Board of Regents, previously referred to as the Optional Retirement Program (ORP). The MUS-RP is a defined contribution retirement plan governed by Title 19, Chapter 21, MCA. Combined contributions to the faculty and professional staff plan cannot exceed 13% of the participant's compensation per Section 19-21-203, MCA. Combined contributions to the classified staff plan are 16.97% less 0.04% for education programming paid to Montana Public Employee Retirement Administration (MPERA) per Section 19-3-316, MCA and Section 19-3-315, MCA. The employer contribution to the MUS-RP for classified staff increases 0.10% annually in July per statute.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses, and investment allocations by the participant. Individuals are immediately vested for both employee and employer contributions. The Montana University System records employee/employer contributions, and remits monies to TIAA. Total contributions made to the plan by the employer were \$18.6 million, and the total employee contributions were \$21.5 million for the fiscal year ended June 30, 2022.

#### **H. 457(b)-Deferred Compensation Plan**

The 457(b)-Deferred Compensation Plan (457(b) Plan) is an Other Employee Benefit Plan established in 1974. The Deferred Compensation Plan is governed by Title 19, Chapter 50, MCA, in accordance with Internal Revenue Code (IRC) Section 457. The plan is available to all employees of the State, Montana University System, and contracting political subdivisions. The State and 70 non-state entity employers participate in the 457(b)-Plan.

Assets of the Deferred Compensation Plan are required to be held in trusts, custodial accounts, or insurance company contracts for the exclusive benefit of participants and their beneficiaries. Empower Retirement™ is the record keeper for the plan. Participants elect to defer a portion of their salary, within IRC limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed, provided IRS-specified criteria are met.

#### **I. Method Used to Value Investments**

The Montana Board of Investments (BOI) manages the investments, as authorized by state law, for the defined benefit retirement plans in two investment pools, the Consolidated Asset Pension Pool (CAPP) and the Short-Term Investment Pool (STIP). CAPP is an internal investment pool and STIP is an external investment pool. Each retirement plan's ownership in the pools is based on the funds contributed. Individual investments in the pools are not specifically identified to the respective retirement plan. Investments are reported at either fair value or cost, depending on the underlying investment type. Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Mortgages are present value adjusted. Investment valuation not classified within the fair value measurement levels are reported at Net Asset Value. Further detail related to investments is provided in Note 3.

#### **J. Long-term Contracts for Contributions**

Per Section 19-2-706, MCA, the Montana Legislature enacted a provision of the Employee Protection Act (EPA) allowing state and university system employees who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. In fiscal year 2022, 276 employees participated in the program.

The Employer has up to ten years to complete payment for the service purchases and is charged the actuarially required rate of return as established by MPERA on the unpaid balance. Total contributions received (including interest) during fiscal year 2022 totaled \$149.3 thousand. The outstanding balance at June 30, 2022, totaled \$5.9 thousand.

## K. Litigation

***Consolidated PERB v. Lewis and Clark County and Montana Association of Counties (MACo), Lewis and Clark County, and Cascade County v. PERB and MPERA.*** On May 1, 2020, PERB filed a Complaint for Declaratory Relief in the First Judicial District of Montana against Lewis and Clark County. This complaint asked the Court to rule that the Montana Constitution, Article VIII, Section 15, vests PERB with the authority to: 1) actuarially determine the amount of the unfunded pension liabilities attributable to a component unit of Lewis and Clark County that has terminated its participation in a PERB administered defined benefit plan; and 2) compel the payment of the unfunded pension liabilities upon this component unit's termination. On June 1, 2020, PERB filed its First Amended Complaint amending its original pleading to add a claim for breach of contract against Lewis and Clark County.

On May 1, 2020, MACo filed a Complaint for Declaratory Judgment, Injunctive Relief, and a Writ of Prohibition against PERB and MPERA in the First Judicial District Court of Lewis and Clark County related to the same underlying issue that caused MPERA to initiate its action against Lewis and Clark County. This Complaint asked the Court to rule that: 1) the Montana Constitution, Article VIII, Section 15, does not vest PERB with the authority to determine and collect unfunded pension liabilities owed to the PERS-DBRP trust as a result of partial withdrawals of employees or reductions in force; 2) the 1947 Contract between PERB and Lewis and Clark County and Cascade County, as well as other similar agreements between PERB and all other Montana counties, does not vest PERB with the authority to determine and collect unfunded pension liabilities owed to the PERS-DBRP trust as a result of partial withdrawals of employees or reductions in force; 3) MACo is entitled to a preliminary and permanent injunction enjoining PERB from assessing withdrawal penalties against Montana counties; and 4) MACo is entitled to a Writ of Prohibition arresting PERB from assessing withdrawal penalties against Montana counties. On May 15, 2020, MACo filed a First Amended Complaint and added the additional parties of Lewis and Clark County and Cascade County to this action as plaintiffs as well as additional claims for breach of express and implied contract.

On May 13, 2020, Lewis and Clark County filed a motion to dismiss PERB's Complaint and followed that on June 18, 2020, with a motion to dismiss PERB's First Amended Complaint. Likewise, on June 25, 2020, PERB filed a motion to dismiss, or in alternative, a motion for partial summary judgement, several of the counts in the MACo suit. Both cases were subsequently consolidated into a single action by the Court on February 22, 2021.

On February 1, 2022, the Court ruled on respective motions of the parties. In the only real narrowing of the case, the Court cited statute that the State cannot be held liable under theories of implied contract to dismiss the counties' claim against PERB for breach of the covenant of good faith and fair dealing. The parties filed their respective answers on February 25, 2022, and the case now awaits further action.

In the opinion of management and legal counsel, the disposition of unfunded actuarial accrued liabilities owed to PERS-DBRP in the consolidated Lewis and Clark County and MACo case, will have a material adverse effect on the PERS-DBRP's financial position as a whole should the Court rule against MPERA and PERB. An estimate of the potential liability for the consolidated Lewis and Clark County and MACo case cannot presently be made.

## **NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

### **A. General Information Non-trust Plans**

The State of Montana (State) and the Montana University System (MUS) provide optional postemployment healthcare benefits in accordance with Section 2-18-704, MCA to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Medical, dental, and vision benefits are available through this plan. The State and MUS offer OPEB plans that are not administered through trusts; as such, there are no plan assets accumulated to offset the total OPEB liability.

In accordance with Section 2-18-704, MCA, the State provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from the Public Employees' Retirement System (PERS) or various other State retirement systems, and elect to start medical coverage within 60 days of leaving employment. Retirement eligibility criteria differ by state retirement plan. Further detail on state retirement plans is provided in Note 6. MUS provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from their plan, or an annuity under the MUS-RP, and have been employed by MUS for at least five years, are age 50, or have worked 25 years with MUS. They must elect to start medical coverage within 60 days of leaving employment. Spouses, unmarried dependent children, and surviving spouses are also eligible for both plans.

Montana State Fund, a discretely presented component of the State and participant in the State OPEB plan, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting period, there will be a variance between the note disclosures and the financial statements for OPEB related information.

### **B. Plan Descriptions**

Both healthcare OPEB plans for the State and MUS are reported as single-employer plans. In addition to the primary government, the participating employers under the State OPEB plan are Facility Finance Authority, Montana Board of Housing, Public Employees' Retirement System, Montana State Fund, and Teachers' Retirement System. The participating employers under the MUS OPEB plan are Office of Commissioner of Higher Education (OCHE), Montana State University - Billings (MSU-Billings), Montana State University - Bozeman (MSU-Bozeman), Great Falls College MSU, Montana State University - Northern (MSU-Northern), Montana Technological University, Helena College UM, University of Montana - Missoula (UM-Missoula), and University of Montana - Western (UM-Western). Participating employers under MUS, but excluded from the total OPEB liability due to not qualifying as component units, are Dawson Community College (Dawson CC), Flathead Valley Community College (Flathead CC), and Miles Community College (Miles CC). Each participating employer is required to disclose additional information as required per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75).

The State and MUS pay for post-employment healthcare benefits on a pay-as-you-go basis. Section 2-18-812, MCA gives authority for establishing and amending the funding policy to the Department of Administration for the State group health insurance plan. Section 20-25-1310, MCA gives authority for establishing and amending the funding policy to the Board of Regents for the MUS group health insurance plan. The healthcare OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in reporting the total OPEB liability in the related financial statements and note disclosures. Reported contributions are not a result of direct funding to the plans or for associated liabilities, but are a measure of the difference in retiree payments into the plans and actual medical costs associated with those individuals paid for by the plans.

As of December 31, 2021, the State OPEB plan's administratively established retiree medical premiums vary between \$457.00 and \$2,172.00 per month, depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between \$41.10 and

\$70.00 per month and vision hardware premiums vary between \$7.64 and \$22.26 per month, depending on the coverage selected. The plan provides different coinsurance amounts and deductibles depending on whether members use participating or non-participating providers. Once retiree members become Medicare eligible, the plan automatically processes claim reimbursement as the secondary insurer, even if the member is not enrolled in Medicare. A basic life insurance plan on the life of the retiree is also included with a retiree's core benefits until the retiree reaches age 65 or is eligible for Medicare.

As of June 30, 2022, the MUS OPEB plan's administratively established retiree medical premiums vary between \$368.00 and \$2,452.00 per month. Retiree dental premiums vary between \$52.00 and \$156.00 per month, while vision premiums vary from \$10.70 to \$31.18, depending on the types and number of dependents enrolled and which medical Third Party Administrator (TPA) was selected. The plan provides different coinsurance amounts and deductibles depending on whether members use in-network or out-of-network providers. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare. The premium changes were based on actual claims experience and actuarial projections based on the experience and trends.

### C. Basis of Accounting

Total OPEB liability is reported on an accrual basis on the proprietary and fiduciary fund financial statements, the government-wide financial statements, and the component unit financial statements. Total OPEB liability is not reported on the governmental fund financial statements, as it is considered a long-term liability. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Both OPEB plans state, that an employee enrolled in the OPEB plan, who (a) at least meets the early retirement criteria defined by Montana Public Employees' Retirement Administration (MPERA); and (b) makes arrangements with their respective benefit office, within 60 days of the date active employee coverage ends, to continue post-retirement coverage, may continue with the OPEB plan on a self-pay basis, retroactive back to the date active employee coverage was lost, and adhere to these provisions. Therefore, each plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2022.

The number of State Plan participants as of December 31, 2020 projected to December 31, 2021, follows:

Enrollment	State Plan Participants						Total
	State <sup>(1)</sup>	Facility Finance Authority <sup>(2)</sup>	Montana Board of Housing <sup>(2)</sup>	Public Employee Retirement Board <sup>(3)</sup>	Montana State Fund <sup>(2)</sup>	Teachers Retirement System <sup>(3)</sup>	
Active employees	12,210	3	36	51	285	21	12,606
Retired employees, spouses, and surviving spouses	2,178	2	3	1	17	4	2,205
Total	14,388	5	39	52	302	25	14,811

The number of MUS Plan participants as of December 31, 2020 projected to December 31, 2021, follows:

Enrollment	MUS Plan Participants									Total
	MSU-GFC <sup>(2)</sup>	UM-HC <sup>(2)</sup>	MSU-Billings <sup>(2)</sup>	MSU-Bozeman <sup>(2)</sup>	MSU-Northern <sup>(2)</sup>	OCHE <sup>(1)</sup>	UM-Missoula <sup>(2)</sup>	UM-MT Tech <sup>(2)</sup>	UM-Western <sup>(2)</sup>	
Active employees	103	71	427	3,026	171	46	1,856	382	179	6,261
Retired employees, spouses, and surviving spouses	8	14	109	459	35	16	475	97	52	1,265
Total	111	85	536	3,485	206	62	2,331	479	231	7,526

<sup>(1)</sup> Primary Government

<sup>(2)</sup> Discretely Presented Component Units of Primary Government

<sup>(3)</sup> Fiduciary Component Units of Primary Government

**D. Schedule of Changes in Total OPEB Liability**

The following table presents the other items related to and changes in the total OPEB liability:

**Annual OPEB Cost & Changes in Total OPEB liability**  
(in thousands)

	State Plan			MUS Plan		
	Primary Government Total OPEB Liability	Discrete Component Unit and Fiduciary Component Unit Total OPEB Liability	Total State Plan	Primary Government Total OPEB Liability	Discrete Component Unit Total OPEB Liability	Total MUS Plan
Balances at 6/30/2021	\$ 143,281	\$ 4,234	\$ 147,515	\$ 561	\$ 56,750	\$ 57,311
Changes for the year:						
Service cost	8,458	268	8,726	29	3,655	3,684
Interest	3,412	101	3,513	13	1,374	1,387
Changes of assumptions or other inputs	(37,582)	(1,128)	(38,710)	(158)	(17,125)	(17,283)
Benefit payments	2,518	74	2,592	20	2,456	2,476
Net changes	(23,194)	(685)	(23,879)	(96)	(9,640)	(9,736)
Balances at 6/30/2022 <sup>(1)</sup>	\$ 120,087	\$ 3,549	\$ 123,636	\$ 465	\$ 47,110	\$ 47,575

<sup>(1)</sup> State, fiduciary component units, and discretely presented component units proportion of the collective total OPEB liability as of the measurement date for fiscal years 2021 and 2022 for the State Plan was 100% both years and for the MUS Plan is 95.18% and 95.18%, respectively.

**E. Actuarial Methods and Assumptions**

The total OPEB liability (TOL) measured under GASB 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go public entity, GASB 75 requires a 20-year current municipal bond discount rate to establish an Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions. Actuarially determined amounts are subject to continual revisions, meaning actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future.

The schedule of changes in the State's and MUS's TOL and related ratios, presented as required supplementary information following the notes to the financial statements is designed to present multi-year trend information about whether the actuarial value of plan TOL is increasing or decreasing over time relative to the actuarial liabilities for benefits. The schedule of changes in the State's and MUS's TOL and related ratios are based on the substantive plan (the plan as understood by the employer and the plan members). This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.



The State's OPEB Plan TOL on December 31, 2020, rolled forward to March 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Other Postemployment Benefits  
State Single Employer Plan**

	<u>Retiree/Surviving Spouse</u>	<u>Spouse</u>
Contributions (weighted average):		
Before Medicare eligibility	\$ 15,072	\$ 6,908
After Medicare eligibility	5,484	4,820
Actuarial valuation date	December 31, 2020	
Experience study period	January 1, 2018 through December 31, 2020	
Actuarial measurement date <sup>(1)</sup>	March 31, 2022	
Actuarial cost method	Entry age normal funding method	
Amortization method	Level percent of payroll, open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	3.31%	
Projected payroll increases	2.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
Marital status at retirement	70.00%	

<sup>(1)</sup> Updated procedures were used to roll forward the total OPEB liability to the measurement date.

*Mortality - Healthy:* For TRS, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

*Mortality - Disabled:* For TRS, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

*Changes in actuarial assumptions and methods since last measurement date:* The discount rate increased from 2.23% to 3.31%.

*Changes in benefit terms since last measurement date:* None

Additional information as of the latest actuarial valuation for MUS OPEB plan follows:

**Other Postemployment Benefits  
MUS Single Employer Plan**

	Retiree/Surviving Spouse		Spouse
Contributions (in thousands):			
Before Medicare eligibility	\$	11,772	\$ 9,637
After Medicare eligibility		4,416	5,205
Actuarial valuation date	December 31, 2020		
Actuarial measurement date <sup>(1)</sup>	March 31, 2022		
Experience study period	January 1, 2018, through December 31, 2020		
Actuarial cost method	Entry age normal funding method		
Amortization method	Level percent of payroll, open basis		
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75		
Actuarial assumptions:			
Discount rate	3.31%		
Projected payroll increases	2.50%		
Participation:			
Future retirees	40.00%		
Future eligible spouses	70.00%		
Marital status at retirement	70.00%		

<sup>(1)</sup> Updated procedures were used to roll forward the total OPEB liability to the measurement date.

*Mortality - Healthy:* For TRS and MUS-RP, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

*Mortality - Disabled:* For TRS and MUS-RP, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

*Changes in actuarial assumptions and methods since last measurement date:* The discount rate increased from 2.23% to 3.31%.

*Changes in benefit terms since last measurement date:* None

**Sensitivity of the TOL to changes in the discount rate**

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using a discount rate that is 1-percentage-point lower (2.31 percent) or 1-percentage-point higher (4.31 percent) than the current discount rate:

State OPEB plan (in thousands)				
	1.0% Decrease (2.31%)	Current Discount Rate (3.31%)	1.0% Increase (4.31%)	
Primary Government	\$ 148,605	\$ 120,087	\$ 98,400	
Discrete Component Units and Fiduciary Component Units	4,432	3,549	2,873	
Total OPEB liability	\$ 153,037	\$ 123,636	\$ 101,273	
MUS OPEB plan (in thousands)				
	1.0% Decrease (2.31%)	Current Discount Rate (3.31%)	1.0% Increase (4.31%)	
Primary Government	\$ 607	\$ 465	\$ 362	
Discrete Component Units	61,296	47,110	36,688	
Total OPEB liability	\$ 61,903	\$ 47,575	\$ 37,050	

**Sensitivity of the TOL to changes in the healthcare cost trend rates**

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current healthcare cost trend rates:

State Plan (in thousands)				
	1.0% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1.0% Increase (7.0%)	
Primary Government	\$ 94,886	\$ 120,087	\$ 154,895	
Discrete Component Unit and Fiduciary Component Units	2,760	3,549	4,633	
Total OPEB liability	\$ 97,646	\$ 123,636	\$ 159,528	
MUS Plan (in thousands)				
	1.0% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1.0% Increase (7.0%)	
Primary Government	\$ 361	\$ 465	\$ 612	
Discrete Component Unit	36,544	47,110	61,919	
Total OPEB liability	\$ 36,905	\$ 47,575	\$ 62,531	

**OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the State OPEB plan's OPEB expense is \$15.5 million and the MUS OPEB plan's OPEB expense is \$4.5 million.

At June 30, 2022, the State OPEB plan deferred outflows and inflows of resources are from the following sources:

	<u>State Plan (in thousands)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Primary Government</u>		
Difference between expected and actual experience	\$ —	\$ 15,365
Changes of assumptions or other inputs	99,625	47,596
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	287	—
Total	<u>\$ 99,912</u>	<u>\$ 62,961</u>
<u>Discrete Component Units and Fiduciary Component Units</u>		
Difference between expected and actual experience	\$ 361	\$ 148
Changes of assumptions or other inputs	2,660	1,386
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	18	—
Total	<u>\$ 3,039</u>	<u>\$ 1,534</u>

At June 30, 2022, the MUS OPEB plan deferred outflows and inflows of resources are from the following sources:

	<u>MUS Plan (in thousands)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Primary Government</u>		
Difference between expected and actual experience	\$ —	\$ 306
Changes of assumptions or other inputs	475	238
Total	<u>\$ 475</u>	<u>\$ 544</u>
<u>Discrete Component Units</u>		
Difference between expected and actual experience	\$ —	\$ 26,568
Changes of assumptions or other inputs	46,594	24,867
Total	<u>\$ 46,594</u>	<u>\$ 51,435</u>

Deferred outflows of resources and deferred inflows of resources related to TOL will be recognized as OPEB expense as follows:

Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense				
State Plan (in thousands)				
Year ended June 30	Primary Government	Discrete Component Units and Fiduciary Component Units	State Plan Total	
2023	\$ 3,157	\$ 134	\$ 3,291	
2024	3,157	134	3,291	
2025	3,157	134	3,291	
2026	3,157	134	3,291	
2027	3,157	134	3,291	
Thereafter	20,879	817	21,696	

Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense				
MUS Plan (in thousands)				
Year ended June 30	Primary Government	Discrete Component Units	MUS Plan Total	
2023	\$ (7)	\$ (531)	\$ (538)	
2024	(7)	(531)	(538)	
2025	(7)	(531)	(538)	
2026	(7)	(531)	(538)	
2027	(7)	(531)	(538)	
Thereafter	(34)	(2,186)	(2,220)	

## **F. General Information Trust Plan**

### **General Information**

Section 19-3-2141, MCA, establishes a long-term disability plan trust fund (PERS-DCRP Disability) for all State of Montana employees that participate in the Public Employee's Retirement System-Defined Contribution Retirement Plan (PERS-DCRP). All new PERS members are initially members of the Public Employee Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) and have a 12-month window during which they may choose to transfer to the PERS-DCRP or remain in the PERS-DBRP by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. Only those participants that choose the PERS-DCRP are covered by the PERS-DCRP Disability plan.

### **Plan Description**

The PERS-DCRP Disability is a multiple-employer cost-sharing plan that covers employees of the State, local governments, and certain employees of the university system and school districts, who are not covered by a separate retirement system governed by Title 19, MCA. The PERS-DCRP Disability plan provides disability benefits to PERS-DCRP plan members who are vested in the plan and are currently ineligible for retirement.

A separate trust has been established for purposes of providing disability benefits to PERS-DCRP Disability plan members, and it is accounted for as a fiduciary fund. The assets are held in a trust capacity for the beneficiaries. The Public Employee Retirement System issues publicly available annual reports, which include financial statements and required supplemental information for the plan. Those reports may be obtained online (<http://mpera.mt.gov>) or by contacting the following:

Public Employees' Retirement Board  
100 North Park, Suite 200  
P.O. Box 200131  
Helena, MT 59620-0131

## **G. Termination Benefits**

During the year ended June 30, 2022, the State made the following termination benefit arrangements: provided for one-time lump-sum incentive payments for 29 employees, and paid administrative leave for 32 employees.

During the year ended June 30, 2022, component units of the State made the following termination benefit arrangements: continued coverage of health insurance benefits and/or one-time incentive payments for 24 employees.

During the year ended June 30, 2022, the cost of termination benefits for the fiscal year was \$274.0 thousand and \$1.7 million for the State and its component units, respectively.

## NOTE 8. RISK MANAGEMENT

There are three primary government public entity risk pools and one claims-servicing pool that are reported within the enterprise funds. These pools include Hail Insurance, the Montana University System (MUS) Group Insurance Plan, the MUS Workers Compensation Program, and the Subsequent Injury claims-servicing pool. The State of Montana (Old Fund) provides risk financing as an entity other than a public entity risk pool. The liability and payment of the workers' compensation claims for incidents occurring before July 1, 1990, are reported in the government-wide financial statements within the primary government. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims, including the effects of inflation and other societal/economic factors. Additionally, the primary government reports its own risk management activity within two internal service funds: Employees Group Benefits Plans and Administration Insurance Plans. In all of these funds, there are no significant reductions in insurance coverage from the prior year. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock. Investments are recorded at fair value. Premiums and discounts are amortized using the straight-line method over the life of the securities.

### A. Public Entity Risk Pools

**(1) Hail Insurance** – Any Montana producer engaged in growing crops subject to destruction or damage by hail may participate in the Hail Insurance program. The Hail Insurance program issued 357 policies during the 2022 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs, and claims paid for hail damage. Depending upon the reserve fund's actuarial soundness and the damage in a season, producers may receive a premium refund. Anticipated investment income is considered in computing a premium deficiency, of which there is none.

A claim must be submitted to the State Board of Hail Insurance within 14 days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas, or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain that exceeds 5.0% destruction by hail.

To reduce its exposure to large losses, the fund purchased Crop Hail Quota Share Reinsurance for the 2022 growing season, with a 70.0% share of premiums and losses allotted to the Reinsurer and a 30.0% share of each allotted to the State Hail Insurance. The fund recorded a liability of \$12.0 thousand, which is 30.0% of the estimated claims (\$39.1 thousand) plus adjustment expenses through June 30, 2022. The amount deducted from the estimated claims as of June 30, 2022, for reinsurance was \$27.4 thousand (70.0% of estimated claims). The premiums ceded to the Reinsurer through June 30, 2022, were \$1.3 million, which was 70.0% of total premiums of \$1.9 million.

Any crop insurance liability is paid to the producers within one year of occurrence; therefore, liabilities are not discounted. The fund has no excess insurance or annuity contracts.

**(2) Montana University System (MUS) Group Insurance Plan** – This plan is authorized by the Board of Regents and in Section 20-25-13, MCA. The plan's purpose is to provide medical, dental, prescription drug, and related group benefits coverage to employees of the Montana University System and affiliates, and their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured, except for life insurance, long-term disability, and accidental death and dismemberment insurance. Delta Dental administers the dental plan, Blue Cross and Blue Shield of Montana administers the vision plan, and Navitus is the administrator for the prescription drug program. Blue Cross and Blue Shield of Montana is the third-party claims administrators for the self-insured managed care plan and also has a contract for utilization management. The utilization management program consists of hospital pre-authorization and medical necessity review, as well as large case management. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance enterprise fund. The claims liability is calculated by Actuaries Northwest and estimated to be \$8.8 million as of June 30,

2022, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

**(3) Montana University System (MUS) Workers' Compensation Program** – This plan was formed to provide self-insured workers compensation coverage for MUS employees. The MUS Board of Regents provides workers' compensation coverage under Compensation Plan Number One (Section 39-7-2101, MCA). The program is self-insured for workers' compensation claims with losses in excess of \$750.0 thousand per occurrence (\$500.0 thousand for claims occurring prior to July 1, 2013) and \$1.0 million per aircraft occurrence covered by reinsurance with a commercial carrier. Employer's liability claims are covered to a maximum of \$1.0 million above the self-insured amount of \$750.0 thousand (\$500.0 thousand for claims occurring prior to July 1, 2013). During fiscal year 2022, the program ceded \$396.3 thousand in premiums to reinsurers.

The MUS Workers' Compensation Program Committee establishes premium rates for all participating campuses based on actuarial calculations of premium need and composite premium rate. Premium rates are adjusted periodically based on inflation, claims experience, and other factors. Premiums are recorded as revenue in the MUS Workers' Compensation Program in the period for which coverage is provided. Members may be subject to supplemental assessments in the event of deficiencies. The program considers anticipated investment income in determining if a premium deficiency exists.

The fund recorded a liability of \$3.9 million for estimated claims at June 30, 2022. The liability is based on the estimated ultimate cost of settling the reported and unreported claims, claims reserve development, including the effects of inflation, and other societal and economic factors. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Estimated claims liabilities are recomputed periodically based on a current review of claims information, experience with similar claims, and other factors. Adjustments to estimated claims liabilities are recorded as an increase or decrease in claims expense in the period the adjustments are made.

**(4) Subsequent Injury** – The purpose of the Subsequent Injury Fund (SIF) is to assist individuals with a permanent impairment that may create an obstacle to employment by limiting workers' compensation exposure for employers who hire SIF-certified individuals. The program is funded through an annual assessment for Montana self-insured employers and a surcharge on premium for private insured and Montana State Fund policyholders.

The Employment Relations Division sets the assessment and surcharge rates annually. The amount assessed is calculated by adding the amount of paid losses reimbursed by SIF from April 1 of the previous calendar year through March 31 of the current calendar year, plus administration expenses, less other income earned. Employers share in the reimbursement in two ways: (1) if self-insured, the reimbursement is based on their share of overall paid losses in the previous calendar year, (2) if insured through a private carrier or Montana State Fund, the reimbursement is based on both overall paid losses in the previous calendar year, and the amount of the employer's premium paid for their business.

The SIF program reduces the liability of the employer (if self-insured) or insurer by placing a limit of 104 weeks on the amount an employer (if self-insured), or the employer's insurer, will have to pay for medical and wage loss benefits in the event a worker who is SIF-certified becomes injured or re-injured on the job. SIF will assume liability for the claim when the 104 weeks is reached. For an insured employer, since the insurer's liability is limited to 104 weeks on the claim, this can favorably impact the employer's modification factor, which in turn could keep premiums lower than would otherwise be the case without SIF. For a self-insured employer, it provides a direct recovery of expenses paid for a workers' compensation claim. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation Act.

An estimated liability is recorded based on a projected cost analysis and total population of registered SIF participants. As of June 30, 2022, this liability amount was estimated to be \$1.8 million.



**(5) Changes in Claims Liabilities for the Past Two Years** – As indicated above, these funds establish liabilities for both reported and unreported insured events, including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

	<u>Hail Insurance</u>		<u>MUS Group Insurance Plan</u>		<u>MUS Workers Compensation</u>	
	2022	2021	2022	2021	2022	2021
Unpaid claims and claim adjustment expenses at beginning of year	\$ 76	\$ 11	\$ 10,663	\$ 10,300	\$ 5,234	\$ 4,837
Incurred claims and claim adjustment expenses: provision for insured events of the current year	544	520	101,744	97,018	1,771	2,363
Increase (decrease) in provision for insured events of prior years	(49)	12	—	—	(1,711)	(550)
Total incurred claims and claim adjustment expenses	495	532	101,744	97,018	60	1,813
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current year	(532)	(444)	(103,568)	(96,655)	(374)	(376)
Claims and claim adjustment expenses attributable to insured events of prior years	(27)	(23)	—	—	(1,060)	(1,040)
Total payments	(559)	(467)	(103,568)	(96,655)	(1,434)	(1,416)
Total unpaid claims and claim adjustment expenses at end of year	\$ 12	\$ 76	\$ 8,839	\$ 10,663	\$ 3,860	\$ 5,234

## B. Entities Other Than Pools

**(1) Administration Insurance Plans** – This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage, foster care liability, and State-administered foreclosure of housing units. The State self-insures the \$2.0 million deductible per occurrence for most property insurance, as well as various deductible amounts for other State property. The State also self-insures against property losses below \$2.0 million of value, with State agencies paying the first \$1.0 thousand. Commercial property insurance protects approximately \$6.5 billion of State-owned buildings and contents. The State's property insurance includes separate earthquake and flood protection coverage, with deductibles of \$2.0 million for earthquake and \$2.0 million for flood per occurrence. Premiums are collected from all state agencies, including component units, and recorded as revenue in the Administration Insurance Fund.

An annual actuarial study prepared by Willis Towers Watson Company, and issued for the accident period July 1, 2011, through June 30, 2022, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. As of June 30, 2022, the estimated claims liability was \$36.2 million. Of the \$36.2 million estimated claims liability, \$17.1 million is related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

**(2) Employee Group Benefits Plans** – The medical and dental health plans provided by the State are fully self-insured with the State assuming the risk for claims incurred by employees of the State, elected officials, retirees, former employees covered by COBRA benefits, and their dependents. The State contracted with Allegiance as the third-party administrator for medical coverage. Delta Dental is the

administrator for dental coverage. Navitus is the administrator for the pharmacy program. Contributions are collected through payroll deductions, deductions through the Montana Public Employee Retirement Administration, the Legislative Branch, and self-payments. The contributions are recorded as revenue in the Employee Group Benefits internal service fund. As of June 30, 2022, estimates for claims liabilities, which include both incurred but not reported claims and grandfathered claims resulting from a 1998 change in period for which the benefit coverage is available, as well as other actuarially determined liabilities, were \$25.9 million as provided by Actuaries Northwest, a consulting actuarial firm. In fiscal year 2023, \$25.7 million of these claims liabilities are estimated to be paid.

**(3) State of Montana (Old Fund)** – State of Montana (Old Fund) covers workers' compensation claims that were incurred before July 1, 1990. Old Fund was originally a risk financing insurance entity, but upon depletion of all of its assets, is now financed by the General Fund. The participants within the pool are individuals outside of governmental entities.

An actuarial study prepared by Willis Towers Watson, as of June 30, 2022, estimated the cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. At June 30, 2022, \$41.5 million of unpaid claims and claim adjustment expenses were reported at face value.

**(4) Changes in Claims Liabilities for the Past Two Years** – These funds establish liabilities for both reported and incurred but not reported claims. Grandfathered claims are not included as they relate to future claims not yet incurred. The following table presents changes in the balances of claims liabilities during the past two fiscal years (in thousands).

	<u>Administration Insurance Plans</u> <sup>(1)</sup>		<u>Employers Group Benefits Plan</u>		<u>State of Montana Old Fund</u>	
	2022	2021	2022	2021	2022	2021
Amount of claims liabilities at the beginning of each fiscal year	\$ 17,146	\$ 17,431	\$ 19,665	\$ 18,982	\$ 43,704	\$ 48,280
Incurred claims:						
Provision for insured events of the current year	6,585	5,555	199,225	181,363	—	—
Increase (decrease) in provision for insured events of prior years	14,040	6,867	1,651	(3,267)	3,151	1,769
Total incurred claims	20,625	12,422	200,876	178,096	3,151	1,769
Payments:						
Claims attributable to insured events of the current year	(2,001)	(1,574)	(173,504)	(161,870)	—	—
Claims attributable to insured events of prior years	(16,690)	(11,133)	(21,160)	(15,543)	(5,377)	(6,345)
Total payments	(18,691)	(12,707)	(194,664)	(177,413)	(5,377)	(6,345)
Total claims liability at end of each fiscal year	\$ 19,080	\$ 17,146	\$ 25,877	\$ 19,665	\$ 41,478	\$ 43,704

<sup>(1)</sup> \$17.1 million of additional claims for the Administration Insurance Plans not included in the table above, are related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

## **NOTE 9. COMMITMENTS**

### **A. Highway Construction**

At June 30, 2022, the Department of Transportation had contractual commitments of approximately \$477.2 million for construction of various highway projects. Funding for these highway projects is to be provided by federal grants and matched with state special revenue funds.

### **B. Capital Assets and/or Other Construction**

At June 30, 2022, the Department of Administration, Architecture & Engineering Division (A&E) had contractual commitments of approximately \$138.4 million for planning and construction of capital projects for the renovation, deferred maintenance, and new construction of state-owned facilities. The primary government will fund \$100.8 million of these projects with \$50.9 million in capital project funds, \$17.3 million in federal special revenue funds (including \$0.4 million in ARPA federal funds), \$4.0 million in state special revenue funds, \$9.7 million in capital project funds, and \$18.9 million in proprietary funds. The Montana University System will fund \$37.6 million in university plant funds. A&E had \$1.5 million contractual commitments for the planning and implementation of the division's new Broadband Program. The Broadband Program commitments are funded with ARPA federal funds.

At June 30, 2022, the Department of Fish, Wildlife, and Parks had contractual commitments of approximately \$5.1 million for engineering and construction of various capital projects. The majority of funding for these commitments will be provided by federal grants and state special revenue funds.

At June 30, 2022, the Department of Labor and Industry had \$2.4 million contractual commitments for Montana State AmeriCorps Programs and a \$24.1 million commitment for information technology contracts. The funding for these programs is to be provided by federal grants and state special revenue funds.

At June 30, 2022, the Office of the Secretary of State had a contractual commitment of approximately \$1.5 million for developing and implementing the ElectMT system to replace the existing statewide Voter Registration and Election Management system (MT Votes). The majority of the funding for this project is to be provided by a federal grant from the U.S. Election Assistance Commission.

At June 30, 2022, the Department of Transportation, had contractual commitments of approximately \$54.8 million for engineering and construction of various infrastructure projects and approximately \$1.8 million for buses and transit facilities for various local governments and transit authorities. The funding for both of these commitments will be provided by federal funds.

### **C. Loan and Mortgage Commitments**

The Montana Board of Investments (BOI) makes firm commitments to fund commercial loans, residential mortgages, and Veterans' Home Loan Mortgages (VHLM) from the Coal Severance Tax Permanent Trust Fund. These commitments have expiration dates and may be extended according to BOI policies. As of June 30, 2022, BOI had committed, but not yet purchased, \$25.8 million in loans from Montana lenders. Additionally, lenders had reserved \$23.0 million for loans as of June 30, 2022. As of June 30, 2022, another \$1.0 million represented lender reservations for the VHLM residential mortgage purchases with no purchase commitments.

BOI makes reservations to fund mortgages from the State's pension funds. As of June 30, 2022, there were no mortgage reservations. All BOI residential mortgage purchases are processed by the Montana Board of Housing (MBOH). MBOH does not differentiate between a mortgage reservation and a funding commitment.

BOI makes firm commitments to fund loans from the INTERCAP loan program. The BOI's outstanding commitments to eligible Montana governments, as of June 30, 2022, totaled \$26.6 million.

**D. Bond Commitments**

At June 30, 2022, the outstanding tax-exempt bonds distributed by the Facility Finance Authority were issued in the amount of \$7.0 million of which \$1.4 million in principal payments are scheduled to be paid by June 30, 2023. These bonds have been issued to facilities operating treatment and prerelease centers. The Department of Corrections agrees to provide payment on behalf of the contractors for the total principal and interest due regarding these outstanding bonds. These costs are then recovered through the center’s monthly billing for inmate room and board.

**E. Proprietary Fund Commitments**

Budgets are administratively established in the enterprise and internal service funds, excluding depreciation, compensated absences, and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unrestricted net position in the accompanying financial statements as follows (in thousands):

<u>Enterprise Funds</u>	<u>Amount</u>
Liquor Warehouse	\$ 148
Other Enterprise Funds	2
Subtotal - Enterprise funds	<u>\$ 150</u>
<u>Internal Service Funds</u>	
Building and Grounds	\$ 79
Commerce Central Services	31
Labor Central Services	66
Prison Industry	8
Admin Insurance	3
Subtotal - Internal Service funds	<u>\$ 187</u>

**F. Encumbrances**

As of June 30, 2022, the State of Montana encumbered expenditures as presented in the table below (in thousands):

	<u>Federal Special Revenue Fund</u>		<u>General Fund</u>		<u>Nonmajor Governmental Funds</u>		<u>State Special Revenue Fund</u>		<u>Total</u>
Encumbrances	\$ 37,333	\$	19,626	\$	530	\$	63,922	\$	<u>121,411</u>

## NOTE 10. LEASE/FINANCED PURCHASE PAYABLES AND LEASE RECEIVABLES

### A. Lease/Financed Purchase Payables

Leases and financed purchases both consist of agreements that grant the State use of property in exchange for payments over a period of time. The primary difference is that a financed purchase agreement grants ownership of the property to the State by the end of the contract period. In contrast, a lease agreement only grants the use of the property for a specified period. A lease agreement may contain an option to purchase the property or it may be a contract that transfers ownership of the property to the State with specific types of termination options. The State's lease payables are primarily related to the use of buildings, with some contracts related to the use of land and equipment. The State's financed purchase payables are exclusively associated with equipment purchases. Information regarding the right to use assets associated with leases can be found in Note 5.

Principal and interest requirements to maturity for leases and financed purchases at June 30, 2022, were as follows (in thousands):

Fiscal Year Ended June 30:	Governmental Activities				Business-Type Activities	
	Lease Principal	Lease Interest	Financed Purchase Principal	Financed Purchase Interest	Lease Principal	Lease Interest
2023	\$ 19,230	\$ 2,236	\$ 2,682	\$ 255	\$ 359	\$ 58
2024	17,308	1,938	2,641	307	353	53
2025	15,512	1,667	2,080	238	359	47
2026	13,452	1,424	1,874	184	372	41
2027	11,952	1,214	1,776	127	275	35
2028 - 2032	39,331	3,739	3,107	135	836	131
2033 - 2037	21,995	1,312	359	9	752	65
2038 - 2042	5,757	131	—	—	399	8
2043 - 2047	31	11	—	—	—	—
2048 - 2052	41	8	—	—	—	—
2053 - 2057	52	5	—	—	—	—
2058 - 2062	24	1	—	—	—	—
Total	\$ 144,685	\$ 13,686	\$ 14,519	\$ 1,255	\$ 3,705	\$ 438

### B. Lease Receivables

The State's lease receivables are primarily associated with the leasing of lands granted to the State to support public schools and state institutions. For the fiscal year ended June 30, 2022, the State's total lease revenue was \$5.4 million, and the related interest revenue was \$3.2 million.

### C. Lease-Leaseback Transaction

The State's lease payable and lease receivable balances exclude \$745.0 thousand related to an arrangement where the State is leasing a building that was constructed on land that is being leased from the State. GASB Statement No. 87 requires such arrangements to be accounted for as a net transaction.

### D. Intra-Entity Leases of Investment Properties

The State owns buildings that are recorded as investments under GASB Statement No. 72, which are leased to component units and fiduciary component units. In those cases, the component units and fiduciary component units may record lease payables. However, the State does not record receivables for leases recorded as investments.

Total lease principal and interest requirements payable to the primary government at June 30, 2022, were as follows (in thousands):

Fiscal Year Ended June 30:	Discretely Presented Component Units		Fiduciary Component Units	
	Lease Principal	Lease Interest	Lease Principal	Lease Interest
2023	\$ 28	\$ 1	\$ 367	\$ 118
2024	29	—	387	112
2025	10	—	409	105
2026	—	—	431	98
2027	—	—	454	91
2028 - 2032	—	—	2,651	331
2033 - 2037	—	—	2,373	99
2038 - 2042	—	—	238	2
Total	<u>\$ 67</u>	<u>\$ 1</u>	<u>\$ 7,310</u>	<u>\$ 956</u>

**NOTE 11. STATE SHORT-TERM DEBT AND LONG-TERM LIABILITIES****A. General Information**

The State has no constitutional limit on its power to issue obligations or incur debt other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. No State debt shall be created unless authorized by a two-thirds vote of the members of each house of the Legislature or a majority of the electors voting thereon. The Board of Examiners (consisting of the Governor, Secretary of State, and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

**B. Short-term Debt**

The Board of Examiners, upon recommendation of the Department of Administration, may issue notes in anticipation of the receipt of taxes and revenues. Notes may not be issued to refund outstanding notes.

The State issues bond anticipation notes to finance the State Revolving Fund Programs that improve and rehabilitate wastewater and drinking water systems. The following schedule summarizes the activity for the year ended June 30, 2022 (in thousands):

<b>Bond Anticipation Notes</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Drinking Water 2019D GO BAN	149	—	149	—
Drinking Water 2020N GO BAN	1,663	1,537	3,200	—
Drinking Water 2021A GO BAN	—	3,100	1,200	1,900
Waste Water 2021B GO BAN	—	3,800	3,800	—
Drinking Water 2022A GO BAN	—	50	—	50
Waste Water 2022B GO BAN	—	50	—	50

The State's Board of Investments (BOI) is authorized to issue Intermediate-Term Capital (INTERCAP) bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than \$190 million, as amended by the 2007 Legislature. The INTERCAP bonds provide funds for BOI to make loans to eligible government units. The bonds are not a debt or liability of the State. The bonds are limited obligations of BOI, payable solely from:

1. Repayments of principal and interest on loans made by BOI to participating eligible governmental units.
2. Investment income under the indenture.
3. An irrevocable pledge by BOI.

On November 30, 2021, BOI adopted Resolution 249, which allowed for the redemption of all outstanding bonds of the INTERCAP program and the issuance of a new bond to the Board of Investments Unified Investment Program. On January 25, 2022, the new special, limited obligation bond was issued for \$68.7 million. Additional discussion related to the BOI bonds is provided in Section C of Note 11. The proceeds of the bond were placed in an escrow account for the defeasance of the current outstanding bond along with \$21.9 million of cash and cash equivalents. On March 1, 2022, the existing debt of \$90.6 million in principal and \$65 thousand in interest was defeased. The BOI enterprise fund incurred \$79 thousand of issuance costs to accomplish the transaction.

As of June 30, 2022, there was no defeased debt outstanding and there was no gain or loss on the transaction. The following schedule summarizes the activity relating to the demand bonds during the year ended June 30, 2022 (in thousands):

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Demand bonds	\$ 90,600	\$ —	\$ 90,600	\$ —

### C. Long-term Debt

The full faith, credit, and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue and mortgage bonds are secured by a pledge from the facilities to which they relate and by certain other revenues, fees, and assets of the State and the various colleges and universities. Primary government bonds and notes outstanding on June 30, 2022, were as follows (in thousands):

	Series	Amount Issued	Interest Range (%) <sup>(1)</sup>	Principal Payments		Balance June 30, 2022
				Fiscal Year 2023	In Year of Maturity <sup>(2)</sup>	
<b>Governmental Activities</b>						
<b>General obligation bonds</b>						
Hard Rock Mining Reclamation	2002C	2,500	3.5-4.7	200	200 (2023)	200
CERCLA Program <sup>(3)</sup>	2005D	2,000	3.25-4.3	125	140 (2026)	530
Long-Range Bldg Program	2008D	3,100	3.375-4.35	175	220 (2028)	1,170
Long-Range Bldg Program Refunding	2011D	5,755	3.0-3.25	720	720 (2023)	720
Long-Range Bldg Program Refunding	2013C	6,780	2.0-4.0	740	115 (2025)	1,620
Long-Range Bldg Program Refunding	2014	28,810	1.5-5.0	2,295	820 (2028)	13,275
Long-Range Bldg Program	2020C	28,900	2.0-5.0	2,595	3,465 (2030)	23,825
St. Mary Water Project (Taxable) <sup>(8)</sup>	2020E	2,658	1.62	281	315 (2030)	2,382
2019 Session House Bill 652	2020G	32,505	5.0	2,700	4,030 (2031)	29,935
Long-Range Bldg Program	2020H	5,900	1.75-5.0	215	390 (2041)	5,690
Trust Lands Refunding (Taxable)	2020I	12,510	0.225-1.316	1,240	1,265 (2031)	11,265
Water Pollution Control Revolving Fund Program <sup>(4)</sup>	2020J	24,865	0.225-2.456	6,195	305 (2041)	23,245
St. Mary Water Project (Taxable) <sup>(8)</sup>	2020K	985	1.5	439	6 (2030)	880
Blackfeet Water Compact Project (Taxable) <sup>(8)</sup>	2022D	16,035	3.50-4.35	845	1,925 (2032)	16,035
Total general obligation bonds		<u>\$173,303</u>		<u>\$ 18,765</u>		<u>\$ 130,772</u>
<b>Special revenue bonds</b>						
U.S. Highway 93 GARVEE Refunding <sup>(5)</sup>	2016	22,540	0.74-1.86	3,740	3,740 (2023)	3,740
Coal Severance Tax Refunding (Taxable) <sup>(8)</sup>	2020L	11,965	1.62	1,485	55 (2031)	8,955
Total special revenue bonds		<u>\$ 34,505</u>		<u>\$ 5,225</u>		<u>\$ 12,695</u>
<b>Notes Payable</b>						
Middle Creek Dam Project <sup>(6)</sup>		\$ 3,272	8.125	\$ 104	226 (2034)	\$ 1,659
Oracle Project		668	—	334	668 (2024)	668
Tongue River Dam Project <sup>(7)</sup>		11,300	—	290	290 (2038)	4,636
Total notes payable		<u>\$ 15,240</u>		<u>\$ 728</u>		<u>\$ 6,963</u>
Subtotal governmental activities, before unamortized balances		223,048		24,718		150,430
Unamortized premium		—		—		12,787
Total governmental activities		<u>\$223,048</u>		<u>\$ 24,718</u>		<u>\$ 163,217</u>
<b>Business-Type Activities</b>						
<b>Bonds Payable</b>						
INTERCAP Limited Obligation Bonds <sup>(9)</sup>	2022	\$ 68,707	Variable	\$ —	N/A	\$ 68,707
Total bonds payable		<u>68,707</u>		<u>—</u>		<u>68,707</u>
Total Business-Type activities		<u>\$ 68,707</u>		<u>\$ —</u>		<u>\$ 68,707</u>

<sup>(1)</sup> The interest range is over the life of the obligation.

<sup>(2)</sup> Year of maturity refers to the fiscal year.

<sup>(3)</sup> The CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act) Program Bonds were issued to finance the costs of the State of Montana's participation in the remedial actions under Section 104 of the CERCLA 42 United States Code Sections 9601-9657, and State of Montana costs



for maintenance of sites under CERCLA. The CERCLA Bonds are secured additionally by a pledge of monies received by the State as cost recovery payments and revenues derived from the resource indemnity and groundwater assessment tax in the event cost recovery payments are insufficient.

- (4) Bonds were issued to refund the State's General Obligation Bonds (Water Pollution Control State Revolving Fund Program), Series 2015C, maturing on and after July 15, 2021; provide matching funds to enable the State to obtain capitalization grants from the U.S. Environmental Protection Agency for water pollution control facilities or other authorized improvements, to state political subdivisions; and pay costs of issuance of the Series 2020J Bonds and the refunding.
- (5) The U.S. Highway 93 GARVEES (Grant Anticipation Revenue Vehicles) Bonds were issued for the purpose of improving a 44.8-mile stretch of U.S. Highway 93. A pledge of certain federal aid revenues secures repayment of the bonds.
- (6) U.S. Bureau of Reclamation loan to the Department of Natural Resources & Conservation.
- (7) Northern Cheyenne Tribe loan to the Department of Natural Resources & Conservation. The loan will not accrue interest and will be repaid over 39 years. The issuance of a coal severance tax bond to the tribe secures the loan repayment.
- (8) Bonds were private sales.
- (9) On November 30, 2021, the Board of Investments adopted Resolution 249, which allowed for the redemption of all outstanding bonds of the INTERCAP program and the issuance of a new bond to the Board of Investments Unified Investment Program. The bond may be extended annually each February, with no limit on the number of extensions. The bond interest rate for the extension period will be equal to the midpoint yield of the US Treasury Bill, with the maturity closest to 365 days plus ten basis points.

## D. Debt Service Requirements

Primary government debt service requirements on June 30, 2022, were as follows (in thousands):

Fiscal Year Ended June 30:	Governmental Activities					
	General Obligation Bonds		Special Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 18,765	\$ 4,166	\$ 5,225	\$ 326	\$ 728	\$ 41
2024	13,541	3,772	1,510	115	732	41
2025	13,300	3,310	1,545	90	403	41
2026	13,640	2,844	1,300	65	408	41
2027	13,820	2,371	1,015	46	413	41
2028 - 2032	48,251	5,017	2,100	47	2,155	204
2033 - 2037	6,760	652	—	—	1,834	82
2038 - 2042	2,695	108	—	—	290	—
Total	\$ 130,772	\$ 22,240	\$ 12,695	\$ 689	\$ 6,963	\$ 491

Fiscal Year Ended June 30:	Business Type Activities	
	INTERCAP Limited Obligation Bonds <sup>(1)</sup>	
	Principal <sup>(2)</sup>	Interest
2023	\$ —	\$ 434
2024	—	434
2025	—	434
2026	—	434
2027	—	434
2028 - 2032	—	434
Total	\$ —	\$ 2,604

(1) The bonds are payable with a one-year extension to the Unified Investment Program (UIP). The current variable rate of the interest on the bonds is 0.632% resulting in projected debt service requirements as of June 30.

(2) The bond redemption period can be extended.

### E. Summary of Changes in Long-term Liabilities

Primary government long-term liability activities for the year ended June 30, 2022, were as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
<b>Governmental activities</b>						
Bonds/notes payable						
General obligation bonds	\$ 127,633	\$ 16,035	\$ 12,896	\$ 130,772	\$ 18,765	\$ 112,007
Special revenue bonds	21,930	—	9,235	12,695	5,225	7,470
Notes payable	6,928	668	633	6,963	728	6,235
	156,491	16,703	22,764	150,430	24,718	125,712
Unamortized premium	14,846	—	2,059	12,787	—	12,787
Total bonds/notes payable <sup>(3)</sup>	171,337	16,703	24,823	163,217	24,718	138,499
Other liabilities						
Lease payable <sup>(4)</sup>	158,984	5,449	19,748	144,685	19,230	125,455
Financed purchase payable <sup>(4)</sup>	17,379	1,436	4,296	14,519	2,682	11,837
Compensated absences payable <sup>(1)</sup>	115,355	53,672	60,438	108,589	59,986	48,603
Estimated insurance claims <sup>(2)</sup>	112,942	224,602	234,004	103,540	55,153	48,387
Pollution remediation	167,515	720	9,547	158,688	22,612	136,076
Net pension liability	2,943,785	26,313	1,054,102	1,915,996	—	1,915,996
Total OPEB liability	141,394	—	22,876	118,518	—	118,518
Total other liabilities	3,657,354	312,192	1,405,011	2,564,535	159,663	2,404,872
Total governmental activities long-term liabilities	\$ 3,828,691	\$ 328,895	\$ 1,429,834	\$ 2,727,752	\$ 184,381	\$ 2,543,371
<b>Business-type activities</b>						
Bonds Payable	\$ —	\$ 68,707	\$ —	\$ 68,707	\$ —	\$ 68,707
Lease payable <sup>(4)</sup>	4,066	—	361	3,705	359	3,346
Compensated absences payable <sup>(1)</sup>	2,299	1,089	1,079	2,309	1,069	1,240
Estimated insurance claims	17,684	103,230	106,419	14,495	11,459	3,036
Net pension liability	15,290	—	4,700	10,590	—	10,590
Total OPEB liability	2,450	—	420	2,030	—	2,030
Total business-type activities long-term liabilities	\$ 41,789	\$ 173,026	\$ 112,979	\$ 101,836	\$ 12,887	\$ 88,949

<sup>(1)</sup> The compensated absences liability attributable to the governmental activities will be liquidated by several governmental and internal service funds. The Employee Group Benefits and Administration Insurance internal service funds will liquidate the estimated insurance claims liability.

<sup>(2)</sup> \$17.1 million Administration Insurance Plans included in the table above are related to a catastrophic property loss for which the insurance proceeds were received prior to the expenses incurred.

<sup>(3)</sup> Deferred outflows, including those related to bonds payable, are reported separately on the Statement of Net Position based on GASB Statement No. 65.

<sup>(4)</sup> The beginning balance has been restated for the implementation of GASB Statement No. 87.

## **F. Refunded and Early Retired Debt**

### Prepayments

The Department of Natural Resources and Conservation (DNRC) used current available resources to prepay special revenue bond series 2020L in the amount of \$645.0 thousand, resulting in the reduction of the outstanding balance. DNRC used current available resources to prepay special revenue bond series 2020M in the amount of \$2.1 million, resulting in a payoff.

### Refundings

On January 25, 2022, BOI issued new special, limited obligation bonds and used current financial resources to defease BOI demand bonds. Further detail is provided in Section B of Note 11.

## **G. No-Commitment Debt**

Information is presented below for financing authorities participating in debt issues. The related debt issued does not constitute a debt, liability, obligation, or pledge of faith and credit of the State. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

### Montana Board of Investments (BOI)

BOI is authorized to issue Qualified Zone Academy Bonds (QZAB) under the Municipal Finance Consolidation Act as conduit (no-commitment) debt. The revenues, and in some cases, the taxing power of the borrower, are pledged to repay the bonds. At June 30, 2022, QZAB debt outstanding aggregated \$3.5 million.

BOI is also authorized to issue Qualified School Construction Bonds (QSCB) under the Municipal Finance Consolidation Act as conduit (no-commitment) debt. The revenues of the borrower are pledged to repay the bonds. At June 30, 2022, QSCB debt outstanding aggregated \$2.6 million.

## **H. Estimated Pollution Remediation Obligation**

Estimated pollution remediation obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The estimates are derived using the expected cash flows method and technical estimates from record of decisions, consent decrees, and/or settlement agreements. There may be factors influencing the estimates that are not known at this time. Prospective recoveries from other responsible parties may reduce the State's obligation.

The State's estimated pollution remediation liability as of June 30, 2022, was \$158.7 million. Of this liability, \$3.5 million resulted in settlement agreements to restore natural resources, water supplies, and natural resource-based recreational opportunities up to the settlement amount; \$155.2 million is based on decrees or settlements for remediation activities. Other estimated liabilities have been recorded for soil and Polychlorinated Biphenyls (PCB) contamination and removal of asbestos contamination. The estimated pollution remediation liability was recorded in compliance with accounting and reporting standards and does not constitute the State's total acceptance of the liability or responsibility for these matters.

### I. Non-Exchange Financial Guarantee

BOI provides loan guarantees from STIP, TFIP, and the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of FFA totaled \$113.5 million as of June 30, 2022. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute, which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI receives a credit enhancement fee at FFA bond closing based on the term of the financing, the type of bond, the rating of the borrower, and the type of reserve fund. BOI and FFA have entered into an agreement detailing repayment to BOI. The credit enhancement fee received during the fiscal year was \$385.0 thousand. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2022 (in thousands):

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
\$ 100,248	\$ 18,000	\$ 4,675	\$ 113,573

**NOTE 12. INTERFUND BALANCES AND TRANSFERS****A. Balances Due From/To Other Funds**

Balances due from/to other funds arise when there is a timing difference between the dates that reimbursable expenditures and interfund services provided/used are recorded in the accounting system and the dates on which payments are made. Balances also arise when there is a timing difference between the dates transfers between funds are recorded and the dates on which payments are made. Balances due from/to other funds also include the current portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. Balances due from/to other funds are expected to be repaid within one year from origination.

Balances due from/to other funds at June 30, 2022, consisted of the following (in thousands):

	Due to Other Funds							Total
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Enterprise Funds <sup>(2)</sup>	Nonmajor Governmental Funds	State Special Revenue	
<b>Due from Other Funds</b>								
Federal Special Revenue	\$ —	\$ —	\$ 585	\$ —	\$ —	\$ —	\$ 224	\$ 809
General Fund	—	1,708	—	—	23,555	—	25,876	51,139
Internal Service Funds	—	33	368	—	—	—	3	404
Municipal Finance Programs	—	—	—	1,752	—	12	—	1,764
Nonmajor Enterprise Funds	—	—	—	—	—	—	5	5
Nonmajor Governmental Funds	—	4,252	29	—	—	—	804	5,085
State Special Revenue <sup>(1)</sup>	540	225	211	—	375	2	—	1,353
<b>Total</b>	<b>\$ 540</b>	<b>\$ 6,218</b>	<b>\$ 1,193</b>	<b>\$ 1,752</b>	<b>\$ 23,930</b>	<b>\$ 14</b>	<b>\$ 26,912</b>	<b>\$ 60,559</b>

<sup>(1)</sup> Total due from other funds to the state special revenue fund on the fund financial statement is reported as \$11.3 million. The difference of \$9.9 million between the amount reported above and the amount reported in the fund financial statement relates to long-term receivables. The receivables are reported on the fund financial statement, and the long-term liabilities are reported on the government-wide statement.

<sup>(2)</sup> Total due to other funds from the nonmajor enterprise funds on the fund financial statement is reported as \$24.1 million. The difference of \$196.1 thousand between the amount reported above and the amount reported on the fund financial statement relates to loans payable. The receivables are reported on the government-wide statement, and the liabilities are reported on the fund financial statement.

**B. Interfund Loans Receivable/Payable**

Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary, and the cash balance in the fund from which the appropriation was made is insufficient to pay the expenditure. Interfund loans receivable/payable are expected to be repaid within one year from the date of origination.

Interfund loans receivable/payable at June 30, 2022, consisted of the following (in thousands):

	Interfund Loans Payable							Total
	Coal Severance Tax	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	State Special Revenue	Land Grant	
<b>Interfund Loans Receivable</b>								
General Fund	\$ 1,931	\$ 98,871	\$ 639	\$ 1,616	\$ —	\$ 11,571	\$ —	\$ 114,628
Internal Service Funds	—	—	—	—	—	57	—	\$ 57
Nonmajor Enterprise Funds	—	250	—	—	—	250	—	500
State Special Revenue	—	63,690	25	857	20	—	9	64,601
Total	\$ 1,931	\$ 162,811	\$ 664	\$ 2,473	\$ 20	\$ 11,878	\$ 9	\$ 179,786

### C. Advances To/From Other Funds

Advances to/from other funds represent the portion of interfund loans that are not expected to be repaid within one year from the date of origination. Advances to/from other funds also include the noncurrent portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. For more information on the INTERCAP loan program, refer to Note 11.

Advances to/from other funds at June 30, 2022, consisted of the following (in thousands):

	Advances from Other Funds					Total
	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	Non Major Enterprise Funds	State Special Revenue	
<b>Advances to Other Funds</b>						
General Fund	\$ 280	\$ —	\$ —	\$ 2,500	\$ —	\$ 2,780
Municipal Finance Programs	—	6,952	2,000	—	—	8,952
Nonmajor Governmental Funds	—	—	—	—	4,561	4,561
State Special Revenue	47,906	—	278	—	—	48,184
Total	\$ 48,186	\$ 6,952	\$ 2,278	\$ 2,500	\$ 4,561	\$ 64,477

Additional detail for certain advance balances at June 30, 2022, follows (in thousands):

Advances from the Municipal Finance Programs under the INTERCAP Loan Program	
Departmental Function	Balance
Natural Resources and Conservation	\$ 3,055
Public Safety	1,843
Transportation	4,054
Total	\$ 8,952

### D. Interfund Transfers

Routine transfers between funds are recorded to (1) transfer revenues from the fund legally required to receive the revenue to the fund authorized to expend the revenue, (2) transfer resources from the General Fund and special revenue funds to debt service funds to support principal and interest payments, (3) transfer resources from enterprise funds to the General Fund to finance general government expenditures, and (4) provide operating subsidies.

Interfund transfers for the year ended June 30, 2022, consisted of the following (in thousands):

	Transfers Out								Total
	Coal Severance Tax	Federal Special Revenue	General Fund <sup>(1)</sup>	Internal Service Funds <sup>(2)</sup>	Land Grant	Nonmajor Enterprise Funds <sup>(3)</sup>	Nonmajor Governmental Funds	State Special Revenue	
<b>Transfers In</b>									
Coal Severance Tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 435	\$ —	\$ 435
Federal Special Revenue	—	—	986	—	—	—	—	1,722	2,708
General Fund <sup>(1)</sup>	16,561	161	—	20,829	6	67,174	—	26,113	130,844
Internal Service Funds	—	—	1,189	—	—	—	—	2,545	3,734
Land Grant	—	—	53	—	—	—	—	14	67
Nonmajor Enterprise Funds	—	277	—	—	—	—	—	107	384
Nonmajor Governmental Funds	114	5,139	138,063	160	1,341	—	2,196	20,995	168,008
State Special Revenue	13,073	11,096	85,963	319	70,108	11,631	24,059	—	216,249
Unemployment Insurance	—	9,091	—	—	—	—	—	—	9,091
<b>Total</b>	<b>\$ 29,748</b>	<b>\$ 25,764</b>	<b>\$226,254</b>	<b>\$ 21,308</b>	<b>\$71,455</b>	<b>\$ 78,805</b>	<b>\$ 26,690</b>	<b>\$ 51,496</b>	<b>\$531,520</b>

<sup>(1)</sup> Net transfers between the General Fund and the Budget Reserve Stabilization Fund were \$4.7 million to the Budget Stabilization Reserve Fund; however, those funds are combined for reporting purposes. Therefore the transfers are not accounted for in the above table as both the transfer-ins and the respective transfer-outs have been eliminated as required for proper financial reporting.

<sup>(2)</sup> Total transfers-out for internal service funds on the fund financial statements is reported as \$36.5 million. The difference of \$15.2 million between the amount reported above of \$21.3 million and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the internal service fund type. When capital assets are transferred between these fund types, the transferring fund reports the net book value of the capital asset as a transfer-out, and the receiving fund reports the net book value of the capital asset as a capital contribution.

<sup>(3)</sup> Total transfers-out for nonmajor enterprise funds on the fund financial statements is reported as \$78.8 million. The difference of \$7.2 thousand between the amount reported above of \$78.8 million and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the nonmajor enterprise fund type. When capital assets are transferred between these fund types, the transferring fund reports the net book value of the capital asset as a transfer-out, and the receiving fund reports the net book value of the capital asset as a capital contribution.

**NOTE 13. FUND EQUITY DEFICITS**

The following funds have a deficit net position remaining at June 30, 2022, as follows (in thousands):

<b>Fund Type/Fund</b>	<b>Deficit</b>
<b>Governmental Funds</b>	
Federal Special Revenue <sup>(2)</sup>	\$ (25,275)
Federal/Private Construction Grants	(1,012)
<b>Internal Service Funds <sup>(1)</sup></b>	
Information Tech Services	\$ (12,475)
Admin Central Services	(1,452)
Labor Central Services	(6,549)
Commerce Central Services	(1,120)
OPI Central Services	(1,854)
DEQ Indirect Cost Pool	(3,333)
Payroll Processing	(1,203)
Investment Division	(2,908)
Aircraft Operation	(441)
Justice Legal Services	(948)
Personnel Training	(23)
Other Internal Services	(420)
SABHRS Finance & Budget Bureau	(1,247)
<b>Enterprise Fund <sup>(1)</sup></b>	
State Lottery	\$ (2,380)
Subsequent Injury	(85)

<sup>(1)</sup> The allocation of net pension liability and total OPEB liability is a significant factor in creating these deficits. For more detail related to these liabilities, see Notes 6 and 7, respectively.

<sup>(2)</sup> Delayed fire season federally reimbursable costs, which are currently reported as unavailable revenues within deferred inflow of resources, is a significant factor creating this deficit.



**NOTE 14. MAJOR PURPOSE PRESENTATION**

**Special Revenue and Fund Balances Classifications by Purpose** – In the governmental fund financial statements, classifications of special revenue fund revenues and fund balances are presented in the aggregate. The tables presented below further display the special revenue fund revenues and fund balances by major purpose for the year ending June 30, 2022.

**State Special Revenue By Source** (in thousands)

	<b>General Government</b>	<b>Public Safety</b>	<b>Transportation</b>	<b>Health and Human Services</b>	<b>Education</b>	<b>Natural Resources</b>	<b>Total</b>
Licenses/permits	\$ 137,458	\$ 53,708	\$ 27,211	\$ 1,465	\$ 147	\$ 98,226	\$ 318,215
Taxes	326,047	6,531	282,846	—	—	15,899	631,323
Charges for services	31,008	18,153	7,060	31,035	4,018	36,676	127,950
Investment earnings (losses)	334	(3,120)	250	50	(400)	(2,697)	(5,583)
Securities lending income	—	8	—	—	1	15	24
Sale of documents/ merchandise/property	1,467	4,499	196	60	3	5,423	11,648
Rentals/leases/royalties	339	17	661	48	2	302	1,369
Contributions/premiums	33,367	—	—	4,562	—	4,490	42,419
Grants/contracts/donations	2,398	601	120	6,455	10,820	3,418	23,812
Federal	7,997	—	—	—	—	—	7,997
Federal indirect cost recoveries	—	14	39,515	152	—	6,214	45,895
Other revenues	2,248	633	285	150	285	1,268	4,869
Transfers in	34,555	8,980	1,652	30,465	10,018	130,579	216,249
<b>Total State Special Revenue</b>	<b>\$ 577,218</b>	<b>\$ 90,024</b>	<b>\$ 359,796</b>	<b>\$ 74,442</b>	<b>\$ 24,894</b>	<b>\$ 299,813</b>	<b>\$ 1,426,187</b>

**Federal Special Revenue By Source** (in thousands)

	<b>General Government</b>	<b>Public Safety</b>	<b>Transportation</b>	<b>Health and Human Services</b>	<b>Education</b>	<b>Natural Resources</b>	<b>Total</b>
Charges for services	\$ 1,226	\$ 7	\$ —	\$ 5,534	\$ 247	\$ —	\$ 7,014
Investment earnings (losses)	206	4	—	—	4	13	227
Grants/contracts/donations	—	—	—	—	26	—	26
Federal	288,081	15,737	468,264	2,603,158	394,704	104,621	3,874,565
Federal indirect cost recoveries	—	—	—	95,050	98	236	95,384
Other revenues	18	4	—	407	—	1	430
Transfers in	—	1,493	—	229	986	—	2,708
<b>Total Federal Special Revenue</b>	<b>\$ 289,531</b>	<b>\$ 17,245</b>	<b>\$ 468,264</b>	<b>\$ 2,704,378</b>	<b>\$ 396,065</b>	<b>\$ 104,871</b>	<b>\$ 3,980,354</b>

**Governmental Fund Balance By Function, June 30, 2022**  
(in thousands)

	Special Revenue			Permanent		Nonmajor	Total
	General	State	Federal	Coal Severance Tax	Land Grant		
Fund balances:							
Nonspendable							
Inventory	\$ 5,906	\$ 22,683	\$ —	\$ —	\$ —	\$ —	\$ 28,589
Permanent fund principal	—	500	—	662,613	873,939	410,852	1,947,904
Long-term notes/receivables	2,780	—	—	—	—	—	2,780
Prepaid expenditure	835	393	202	—	—	—	1,430
Total nonspendable	9,521	23,576	202	662,613	873,939	410,852	1,980,703
Restricted							
General government	—	7,400	—	—	—	15,825	23,225
Public safety	—	162,894	—	—	—	1	162,895
Transportation	—	163,579	—	—	—	—	163,579
Health and human services	—	44,335	—	—	—	602	44,937
Education	—	23,347	—	—	—	7	23,354
Natural resources	—	796,954	—	—	—	16,042	812,996
Total restricted	—	1,198,509	—	—	—	32,477	1,230,986
Committed							
General government	118,904	189,738	—	553,694	—	382,884	1,245,220
Public safety	—	84,370	—	—	—	—	84,370
Transportation	—	27,540	—	—	—	—	27,540
Health and human services	—	71,183	—	—	—	—	71,183
Education	—	32,297	—	—	—	—	32,297
Natural resources	—	444,716	—	—	—	29,506	474,222
Total committed	118,904	849,844	—	553,694	—	412,390	1,934,832
Assigned							
General government	—	—	—	—	—	547	547
Public safety	—	—	—	—	—	156	156
General Fund spend down	75,000	—	—	—	—	—	75,000
Encumbrance	19,626	—	—	—	—	—	19,626
Total assigned	94,626	—	—	—	—	703	95,329
Unassigned	1,773,568	—	(25,477)	—	—	(1,012)	1,747,079
Total fund balance	\$ 1,996,619	\$ 2,071,929	\$ (25,275)	\$ 1,216,307	\$ 873,939	\$ 855,410	\$ 6,988,929

**NOTE 15. RELATED PARTY TRANSACTIONS**

The Montana School for the Deaf and Blind is associated with a foundation, which is a nonprofit organization outside of state government. The school's foundation is governed by a board of directors that annually approves a budget for the financial support to be provided to the school. This budget defines the allowable expense categories for the year. A foundation accountant is the person approving the expenses to be paid by the foundation based on its budget. The accountant submits the approved invoices to the foundation's bookkeeper, who then prepares the checks and submits them to a board member who reviews backup documentation and signs the checks.

The Department of Labor and Industry Workforce Services Division rents space in Libby, MT from Mineral Plaza, LLC, in which one of the owners is a local job service manager. The term of the lease is July 1, 2013, through June 30, 2023. The annual lease amount for fiscal year 2022 was \$21.3 thousand.

The Department of Labor and Industry Workforce Services Division rented space in Cut Bank, MT from Glacier Community Health Center, Inc., in which one of the active board members is a local job service manager. The term of the lease was July 1, 2019, through August 31, 2022. The annual lease amount for 2022 was \$35.0 thousand. This lease is not being renewed.

A relative of a member of Montana Department of Transportation's (MDT) management team is part owner of a business that holds a State term contract for supplies. A term contract is a contract in which a source for supplies is established for a specific period of time at a predetermined unit price. The term contracts are issued by the State Procurement Bureau of the Department of Administration (DOA) and state agencies are required to use the DOA issued term contracts for such supplies. MDT purchased supplies from this business in the amount of \$10.0 thousand for the fiscal year ended June 30, 2022.

A relative of a member of MDT's Management Team is part owner of a business which has been granted the right by the local airport to operate and provide related services. There is only one such operator at this airport. Given this exclusivity, MDT had transactions with this business. MDT purchased services in the amount of \$36.8 thousand for the fiscal year ended June 30, 2022.

Per Sections 85-1-617 and 85-1-624, MCA, Renewable Resource Grant and Loan Program, the Department of Natural Resources and Conservation (DNRC) is eligible to issue General Obligation (GO) bonds for the purpose of making private sale loans. DNRC has applied and received "recycled loan funds" from the State Revolving Fund (SRF) program for the non-point source private loan program. The loans are GO private sale bonds. The balances for loans in repayment for fiscal year 2022 was \$278.2 thousand. The loans have interest rates of 2.5% and are repaid over 15 years. These loans are presented as Advances to Other Funds on the balance sheets.

DNRC leases an office building in Glasgow, Montana, from a current DNRC employee. Annual lease payment for the building by DNRC is \$67.5 thousand. The lease is valid through September 30, 2025. This employee is not involved in any decision making in regards to the agency lease of the office building.

Per Administrative Rules of Montana 17.58.101, the Montana Petroleum Tank Release Compensation Board (Board) is an independent board that is attached to Department of Environmental Quality (DEQ) for administrative purposes only. Board members are required to follow Montana's code of ethics, which includes recusing oneself in matters related to a conflict of interest. DEQ is required to go through a competitive bidding process to ensure this State law is followed. Four Board members were identified as having related party transactions with DEQ. These relationships include members who are: 1) an officer of a company that had a release and is receiving funds; 2) an officer of a company that is receiving funds; 3) a contractor/owner that is receiving funds; and 4) an employee of a company that had a release and is receiving funds. Total payments to all related parties were direct payments to the contractors in the amount of \$174.7 thousand, \$40.1 thousand, \$264.4 thousand, and \$1.0 million, respectively, for the fiscal year ended June 30, 2022.

There are campus-affiliated foundations within the Montana University System (MUS) identified in the Montana Board of Regents of Higher Education Policy 901.9 – Campus-Affiliated Foundations; Montana University System Foundation. The private foundations affiliated with campuses of the MUS provide support to their respective campuses, consistent with the mission and priorities of such campuses. Transactions occur between the Commissioner of Higher Education and said foundations as reimbursements for hosting MUS constituents and other related events and gatherings. Amounts differ each year based on the number of activities and events hosted in each fiscal year. For fiscal year 2022, transactions totaled \$1.9 thousand.

The MUS Group Insurance program offers insurance coverage and collects insurance premiums from the community colleges as a related party. Through December 31, 2021, insurance coverage was offered to the campus-affiliated foundations and insurance premiums were collected. The premium revenue collected was \$5.5 million for the fiscal year ended June 30, 2022. The MUS Group Insurance program no longer provides coverage for any affiliated foundations.

All lotteries that offer multi-state games transact with the Multi-State Lottery Association (MUSL), which requires the lottery directors from each of the states to be on the MUSL board of directors. The Director of the Montana Lottery is on the MUSL board along with other directors of other states. The Director of the Montana Lottery is in a position to vote and have influence for both MUSL and the Montana Lottery who have significant transactions between each other. The Montana Lottery has prize reserves with MUSL in the amounts of \$1.1 million for the fiscal year ended June 30, 2022. The prize reserve monies are assets to the Montana Lottery and would be transferred over if the Montana Lottery were to quit any of the multi-state games. Weekly, MUSL collects each state's share of prize expenses to go towards respective jackpots. If a state has a large enough prize amount or number of winners for any particular draw, MUSL would then reimburse any state for the excess amount of prizes paid out. The Montana Lottery paid MUSL \$7.3 million for its share of prizes and received reimbursements for prizes in the amount of \$2.4 million for the fiscal year ended June 30, 2022.

## NOTE 16. CONTINGENCIES

### Litigation

The State is party to legal proceedings, which normally occur in government operations. In the opinion of the State's legal counsel and the Department of Administration, the likelihood the legal proceedings will have a material adverse impact on the State's financial position is remote, except where listed below.

PPL v. Montana involves ownership of sections of riverbed on the Missouri, Clark Fork, and Madison rivers. The case originated in 2003, when a group of parents of school-age children sued Petitioner PPL Montana, LLC (PPL), in Federal Court, alleging that the company must pay rent for the use of state-owned riverbeds to generate hydroelectric power. After the Federal Court dismissed the case for lack of jurisdiction, PPL filed an action in state district court seeking a declaration that the state could not charge them rent for the use of the riverbeds at issue. The State intervened in the case and counterclaimed for a declaration that PPL and its co-plaintiffs unlawfully occupied state lands and must compensate the State Land Trust on behalf of its public beneficiaries for the use of those lands. The legal test for ownership of the riverbeds is whether the rivers at issue were navigable at the time of statehood. Based upon the historical record, the District Court granted the State summary judgment on the question of navigability, and the case proceeded to trial on the issue of compensation for the use of trust lands. In June of 2008, the Court issued its ruling and ordered that PPL owed the State almost \$41.0 million for past use of the riverbeds.

PPL appealed the decision to the Montana Supreme Court. The case was briefed and argued before the Court. In March of 2010, the Montana Supreme Court issued a decision upholding the district court's finding of navigability and determination of compensation.

PPL appealed the case to the United States Supreme Court. The case was briefed and argued, and in February of 2012, the Court reversed the Montana Supreme Court's decision. The United States Supreme Court concluded that the Montana courts had applied an incorrect legal standard for determining a river's navigability. The Court clarified that navigability had to be determined on a segment-by-segment basis. The Court remanded the case for further proceedings, and the case currently is pending in the Montana First Judicial District, Lewis and Clark County, Judge Michael McMahon presiding. The cause number is CDV 2004-846. Additional detail is provided below as the case has been remanded to the United States District Court, District of Montana, Helena Division.

The most obvious impact of the Supreme Court's decision is that the State is no longer entitled to the \$41.0 million judgment. The monetary amount that the State may be entitled to depends on the navigability of the rivers, which will have to be determined under the Supreme Court's segment-by-segment approach. Going forward, the litigation will focus on applying the Supreme Court's segmentation approach to determine the navigable reaches of the Madison, Clark Fork, and Missouri Rivers. At this stage, it is difficult to predict an outcome of this litigation.

A less obvious financial impact is the bill of costs that PPL submitted to the district court following the remand. PPL requested that the district court tax the State of Montana with \$1.2 million for PPL's costs relating to the appellate proceedings. All, but approximately \$31.0 thousand, relate to premiums that PPL paid for a supersedeas bond in support of staying the \$41.0 million judgment. In May 2012, the State filed its response to PPL's bill of costs and agreed to costs for \$31.3 thousand. However, the State moved the court to deny PPL's request for costs related to the supersedeas bond. The parties stipulated to hold this issue in abeyance until the court rules on all remaining matters in the case. Counsel for the State has agreed to release the supersedeas bond. In the opinion of counsel, there are good legal arguments that support the State's position that it should not be required to pay the supersedeas bond premiums; however, legal and procedural uncertainties exist that make an adverse determination reasonably possible.

This case is now known as State of Montana v. Talen Montana, LLC et al. (Cause No. CV 16-35-H-DLC-JCL). A bench trial occurred on January 3 through January 19, 2022. No decision was made by the Judge. The parties were required to submit amended proposed findings of fact and conclusions of law.

The State of Montana submitted its proposed findings and conclusions on April 29, 2022, and an amended proposed findings and conclusions on May 13, 2022. Talen filed notice of suggestion of bankruptcy on May 10, 2022. The Court entered an automatic stay of proceedings because of the bankruptcy filing on June 23, 2022. The Court lifted the stay on September 16, 2022, and ordered Talen to respond to Montana's amended proposed findings of fact and conclusions of law by October 6, 2022, which Talen complied with on October 6, 2022. The Court has not rendered a decision on parties' proposed findings of fact and conclusions of law. The State's claims against the utilities remained unchanged throughout trial and the State still holds the opinion that no further potential liability to the State is expected relative to this action.

Diaz et al. v. Blue Cross and Blue Shield of Montana et al. (Diaz) was a lawsuit filed in the Montana First Judicial District Court, Lewis and Clark County, Cause No. BVD-2008-956, in October 2008, by plaintiffs Jeanette Diaz, Leah Hoffman-Bernhardt, and Rachel Laudon, individually, and on behalf of others similarly situated, naming Blue Cross and Blue Shield of Montana (BCBS), New West Health Services (New West), Montana Comprehensive Health Association, and the State of Montana (State) as defendants. The complaint alleges that the defendants have violated the made-whole laws of Montana and illegally given themselves subrogation rights.

On June 12, 2009, the Plaintiffs filed with the District Court a motion for class certification. The District Court Judge denied the Plaintiffs' motion for class certification on December 16, 2009. The Plaintiffs appealed this decision to the Montana Supreme Court. As part of the review of the underlying decision denying class certification, the Montana Supreme Court remanded the case to the District Court to determine the question of whether the made-whole laws, codified in Section 2-18-902 and Section 33-30-1102, MCA, apply to the various types of third-party administrators (TPAs) at issue in Diaz. The District Court held that these laws do not apply to TPAs. The Plaintiffs appealed this decision.

On December 21, 2011, the Supreme Court issued its decision, holding that the District Court abused its discretion in denying a class action and that BCBS and New West, as TPAs of the State's health plan, are not subject to the made-whole laws as "insurers" under Section 2-18-901 to 902, MCA, or under a third-party beneficiary theory.

On June 20, 2012, the District Court ruled on the State's summary judgment motion seeking an order from the court that the State has not violated the made-whole laws in the administration of its health plan. The court denied the State's motion, ruling that the State is an insurer for the purposes of the made-whole laws and that it must conduct a made-whole analysis before exercising and subrogation/coordination of benefits rights. The State filed with the District Court a motion requesting that the court certify its decision to the Montana Supreme Court. The District Court granted the motion, and the Montana Supreme Court, over Plaintiffs' objection, ultimately agreed in a November 27, 2012, Order to hear this issue. The Plaintiffs also appealed to the Montana Supreme Court, the District Court's definition of the class action.

On August 6, 2013, the Montana Supreme Court issued its opinion, affirming the Montana First Judicial District Court's decision defining the class action to include only those State benefit plan members who had timely filed claims for covered benefits for services that took place no earlier than eight years before the filing of the Plaintiffs' complaint, which was October 23, 2008.

On November 6, 2013, the Montana Supreme Court issued its opinion, affirming the District Court's June 20, 2012 Decision that the applicable made-whole laws apply to the State benefit plan.

On September 8, 2014, the District Court issued an order ruling on several motions that the parties had filed. The principal rulings were: (i) the Court authorized Plaintiffs to proceed with additional discovery to determine if the class definition should be altered or amended; (ii) given its order to allow additional discovery, the Court held in abeyance its decision on the State's Motion for Summary Judgment requesting that the class be limited to those who timely filed claims within the one-year filing restriction contained in the State's policy; (iii) the Court granted the Plaintiffs' motions asking the Court to require the State to conform its health plans, procedures, notices, and practices to comply with the Montana Supreme Court's rulings in this case and to pay covered medical expenses, await the resolution of claims

against liability carriers, and then conduct a made-whole determination before it can exercise subrogation or accept reimbursements from its members or providers; and (iv) the Court ordered the parties to develop a class notice to be sent to past and current plan members dated back to eight years before this suit was filed. The State and Plaintiffs' counsel developed the notice that has been sent to class members.

On April 13, 2015, the District Court issued an Order on Interest to Be Paid, requiring the State to include in the payments ultimately made to class members' interest at the rate of 10.0% per annum. For claims arising before December 24, 2009, interest would begin 30 days following the Montana Supreme Court's decision in Blue Cross and Blue Shield of Montana, Inc. v. Montana State Auditor. For any claims arising after December 24, 2009, interest would begin starting on the day the underlying medical expenses were incurred.

On October 5, 2015, the Plaintiffs filed with the District Court a motion directing the State to pay attorney fees arising from the class action suit. On November 9, 2015, the District Court issued an order denying Plaintiffs' motion for attorney fees.

On December 14, 2015, the District Court issued an order certifying that its orders concerning interest and attorney fees were final for purposes of an appeal to the Montana Supreme Court. On January 12, 2016, the Plaintiffs filed a Notice of Appeal with the Montana Supreme Court, appealing the interest and attorney fee orders.

Pursuant to the Montana Supreme Court's mandatory mediation process, the parties reached a settlement on attorney fee payments; however, the parties did not reach agreement on the interest issue. On October 25, 2016, the Montana Supreme Court issued its ruling on the interest issue, finding that November 14, 2009, is the date that interest commences; and, for claims arising after November 14, 2009, interest will begin starting on the day the underlying medical expenses were incurred.

On April 28, 2017, the District Court appointed a Special Master to consider and resolve issues regarding expanding the class to persons with unsubmitted claims; whether to include claims after 2009; whether the State must identify members from third party administrators other than Blue Cross/Blue Shield; whether, if at all, the State must reform its systematic practices; supervising the payment and notice process; which party or parties should pay the Special Master for her time and expenses; whether the District Court should approve a partial payment of attorney fees; setting a time frame for making claims; setting a time for ending the class action; determining payment of residual funds; and any other issues as necessary to facilitate the swift and equitable resolution of the case.

As of June 30, 2017, the State paid Plaintiffs \$1.4 million in based payments plus interest.

On June 21, 2017, the Special Master issued a report and recommended order regarding the partial payment of the Plaintiffs' counsels' attorney fees. This recommendation was based on a stipulation the State and the Plaintiffs' counsel had reached, agreeing that the State would pay counsel \$400.8 thousand for claims made by individuals that could be documented. The State has paid this amount to class counsel.

The Special Master issued a second report and recommended order expanding the class on August 8, 2018. The principal findings of this recommendation were to expand the class definition to include those individuals who did not submit claims to the State for processing; to expand the class to end June 30, 2016; and to redefine the class as (a) employees, employee dependents, retirees, and retiree dependents who participate or participated in the State of Montana's health benefit plan(s), administered or operated by the State and/or the third party administrators whose claims for covered benefits took place no earlier than eight years prior to the filing of the complaint in this action, which was October 23, 2008; (b) who were injured through the legal fault of persons who have legal obligations to compensate them for all damages sustained; and (c) who have not been made whole for their damages (or for whom the State and TPAs conducted no made-whole analysis) because the State and the third party administrators

programmatically failed to pay benefits for their covered medical costs. On October 29, 2018, the District Court Judge issued an Order Adopting the Special Master's Report Expanding the Class.

As of June 30, 2018, the State paid Plaintiffs \$1.7 million in based payments plus interest.

On April 23, 2019, the District Court Judge approved the parties' motion for a process to identify and distribute residual funds for known class members on the master list for Blue Cross Blue Shield of Montana claims. On May 2, 2019, the State issued payment of \$122.0 thousand to the Hunt Law Firm for the residual funds and interest thereon.

On May 1, 2019, the parties filed the Notice to Special Master of Agreement on Notice Procedure. Pursuant to that notice, the State distributed notices to all former and current State employees enrolled in the State health plan between January 1, 2010, through June 30, 2016. Notice was distributed through email and first-class mail. The initial distribution of notices was May 23, 2019. The deadline for a claimant to return a claim to the State was November 30, 2019.

As of June 30, 2019, the State paid Plaintiffs \$2.0 million, including the payment for residual funds and interest.

As of June 30, 2020, the State paid Plaintiffs \$2.9 million for claim payments, interest, and attorney fees for Plaintiffs' counsel.

As of February 28, 2021, the state paid Plaintiffs a cumulative \$3.0 million for claim payments, interest, and Plaintiffs' attorney fees.

On March 23, 2021, Plaintiffs filed a motion to enforce an October 29, 2018 Order to address first party medical payments coverage in casualty insurance policies (the "Med-pay Claims"). Plaintiffs contend that the Med-pay Claims should be paid. On July 23, 2021, Special Master held a hearing on Plaintiffs' motion.

As of June 30, 2022, the amount State paid Plaintiffs for claim payments, interest, and attorney fees for Plaintiffs' counsel was unchanged from February 28, 2021.

Since the case is ongoing, the State does not have sufficient information to determine the ultimate cost to the State.

Disability Rights Montana v. Gootkin and Salmonsén (Cause # CV-15-22) is a civil rights case filed by the ACLU of Montana on behalf of Plaintiff, alleging deliberate indifference in the provision of mental health care to seriously mentally ill inmates at Montana State Prison. Plaintiff sought only declaratory and injunctive relief and later amended its complaint, seeking similar relief under Section 1983 of Title 42 of the United States Code, the Civil Action for Deprivation of Rights. The District Court had dismissed the case for failure to state a claim, which order was appealed by Plaintiffs to the Ninth Circuit Court of Appeals. The Ninth Circuit Court of Appeals overturned the district court's ruling and remanded the case back to the district court in front of a new judge. As a result, the Department of Corrections (Department) has participated in on-going discovery, with the aid of outside expert witnesses and the defense of the case through outside legal counsel. The parties had previously exchanged settlement proposals without success. Because of legislation enacted during the 2019 legislative session, the Department implemented significant changes in the use of restrictive housing, especially as related to seriously mentally ill inmates. The Plaintiff seeks only prospective injunctive and declaratory relief, as well as reasonable attorneys fees, litigation expenses and costs, which could likely exceed \$1.0 million.

On April 10, 2022, the parties entered into a settlement agreement in which the Department agreed to institute a number of changes in procedures related to the housing and treatment of the seriously mentally ill inmates at Montana State Prison, to be monitored by an independent monitor. The parties were responsible for their own attorneys fees and other litigation costs. At this time, the Department is unable to specify an anticipated amount of financial obligation imposed by the settlement.



Vincent, Benner, and Hoch v. DPHHS (CDV-19-0314, Eighth Judicial District Court, Cascade County) was filed on May 17, 2019, by Montana Optometric Association members seeking class certification of all licensed Montana optometrists who are participating providers in Montana Medicaid. The named plaintiffs claim the Department's Medicaid rate structure discriminates against them because they are paid less than physicians (doctors of medicine or doctors of osteopathy) for performing the same services. They cite Section 37-10-104, MCA, as the basis of the discrimination claim. They seek declaratory relief and permanent injunctive relief in their claims of discrimination, violations of MAPA, breach of contract, and implied covenant of good faith. They request damages, interests, costs, and attorney fees, which would amount to more than \$1 million. Plaintiffs' motion for class certification has been fully briefed and awaiting decision since December of 2020.

Blixseth v. Montana Department of Revenue (MDOR), (BK Case No. 11-15010) Mr. Blixseth filed a Complaint in US Bankruptcy Court, District of Nevada, on December 23, 2021, against MDOR seeking costs, attorneys fees, and proximate and punitive damages. On January 25, 2022, the Department filed a Motion to Dismiss the adversary proceeding asserting Eleventh Amendment sovereign immunity. On July 27, 2022, the Bankruptcy Court granted the Department's Motion to Dismiss as to the punitive damages. However, the Bankruptcy Court denied the Department's Motion as to costs, attorneys fees, and proximate damages. The Department filed a Notice of Appeal to the 9<sup>th</sup> Circuit Bankruptcy Appellate Panel on August 10, 2022. Mr. Blixseth filed a Motion for Summary Disposition and an opposing motion to the Department's Notice of Appeal before the 9<sup>th</sup> Circuit on December 16, 2022. On that same day, Mr. Blixseth filed a Motion for Sanctions. The Department's opening brief was due to be filed December 23, 2022. The Department filed an extension motion on the opening brief but the 9<sup>th</sup> Circuit denied the motion stating that the briefing schedule is stayed until resolution of Mr. Blixseth's Motion for Summary Disposition. On December 22, 2022, the Department file a response to Mr. Blixseth's Motion for Summary Disposition and he replied on December 28, 2022. The matter remains pending before the 9<sup>th</sup> Circuit. At this time, the litigation is still dealing with the threshold jurisdictional question and no discovery has been conducted. Without answers to the jurisdictional question and the without discovery, the "degree of probability of an unfavorable outcome and any associated loss" cannot be reasonably estimated.

Portland General Electric, et al. v. North Western Energy, et al., (U.S. District Court for the District of Montana, Billings Division, CV 21-47-SPW-KLD.) The Pacific Northwest owners of Colstrip Units 3 and 4 brought constitutional challenges to SB 265 and SB 266 (2021) and other claims against Talen Montana, LLC and Northwestern Energy. The challenge to SB 266 was filed against Attorney General Austin Knudsen under a 42 U.S.C. 1983 theory, which allows recovery of attorneys' fees if successful. On October 10, 2022, Judge Watters granted summary judgment to plaintiffs, declaring SB 266 unconstitutional as violating the Contracts Clause and the Commerce Clause of the U.S. Constitution. Final judgment was entered November 15, 2022.

The Plaintiff Pacific Northwest owners have demanded approximately \$1.2 million in attorneys' fees and costs. The state is attempting to schedule a mediation of the attorneys' fees and costs issues with Magistrate Judge Johnson for some time in February. The Attorney General will not appeal the merits of the summary judgment decision.

Public Employee Retirement Board (PERB) – Refer to Note 6, section K, for contingency disclosure information.

Montana State Fund – Refer to Note 18, Section O, for contingency disclosure information.

### **Federal Contingencies**

Federal Grants – The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or financial and compliance audits by the granter agencies of the Federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the State. The State's

management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

Food Distribution Program – The amount reported for Food Distribution programs (Assistance Listing Number (ALN) #10.555, #10.565, #10.567, #10.569, and #93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the State to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. The State also distributes food commodities to other states in the western region of the United States, the value of which is excluded from the reported amounts. During fiscal year 2022, the State distributed \$288.3 thousand of food commodities under ALN #10.567 to other states.

The State distributed \$10.6 million in commodities in fiscal year 2022. The value at June 30, 2022, of commodities stored at the State’s warehouse, is \$6.6 million, for which the State is liable in the event of loss. The State has insurance to cover this liability.

**Miscellaneous Contingencies**

Gain Contingencies – Certain natural resource and corporate tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 2022, the following assessments (by fund type) were outstanding (in thousands):

<u>Taxes</u>	<u>General Fund</u>	<u>Special Revenue</u>
Corporate Tax	\$ 10,335	\$ —
Oil & Gas Production Tax	177	32
Total	<u>\$ 10,512</u>	<u>\$ 32</u>

The collectability of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. The corporate tax assessments include material estimates that could result in a significant reduction of the tax assessed once actual numbers are provided. Interest related to corporate tax assessments is distributed to the General Fund and is included in the assessment total above.

The oil and gas production tax noted above represents the state portion of the total protested amount of \$391.6 thousand.

Loss Contingencies – Certain corporations have requested refunds that are not reported on the State's financial statements as of June 30, 2022. The corporations have appealed the Department of Revenue's decision to deny or adjust the refund. As of June 30, 2022, these include \$8.6 million of General Fund corporation tax refunds. \$4.6 million of the \$8.6 million total is related to interest. It is estimated this corporation tax refunds could be significantly reduced or eliminated due to audits and appeals currently in process.

## NOTE 17. SUBSEQUENT EVENTS

### Investment Related Issues

Since June 30, 2022, the Board of Investments (BOI) has:

1. Made additional commitments to fund loans from the INTERCAP loan program of approximately \$11.1 million.
2. Committed an additional \$350.0 million within Real Estate, \$250.0 million within Real Assets, and \$195.0 million within Private Investments, of which \$595.0 million is related to Consolidated Asset Pension Pool (CAPP), \$185.0 million to Trust Funds Investment Pool (TFIP), and \$15 million to Separately Managed Accounts (SMA).
3. Funded an additional \$12.5 million to Montana lenders from the Coal Severance Tax Permanent Fund's In-State Loan Program.
4. Reserved \$5.1 million for the Veterans' Home Loan Program (VHLM) residential mortgage purchases.

### Other Subsequent Events

On July 25, 2022, and September 22, 2022, the Department of Natural Resources & Conversation (DNRC) prepaid debt on the Wastewater 2020J General Obligation Bond in the amount of \$4.7 million and \$985.0 thousand, respectively.

Since June 30, 2022, as a result of the Bipartisan Infrastructure Law (BIL), DNRC has been awarded \$54.8 million of additional federal grant funds.

As part of the National Opioid Settlement (Settlement), on August 16, 2022, and October 4, 2022, the Montana Attorney General partially finalized settlement agreements with certain opioid distributors and manufacturers totaling \$78.0 million. Additional negotiations are expected to finalize the Settlement, which the State has determined an additional \$57.9 million is reasonably possible to be awarded. The Settlement will be used to combat the opioid crisis, with a 15.0% allocation to the State, a 15.0% allocation to Montana local governments, and a 70.0% allocation to The Montana Opioid Abatement Trust (Trust) established by the Attorney General. The State is currently evaluating the reporting nature of the Trust entity.

On January 4, 2023, the Montana Attorney General signed a consent judgment that secured approximately \$6.3 million for the State, to resolve a multi-state investigation over marketing and sales practices with JUUL Labs, an e-cigarette manufacturer. The settlement will be paid out over a period of six to ten years.

On January 10, 2023, a proposed settlement was filed in the U.S. Bankruptcy Court requiring W.R. Grace & Co. to pay \$18.5 million to resolve the Montana Department of Environmental Quality's claims for the Libby Asbestos Superfund Site.

On February 28, 2023, the U.S. Supreme Court (Court) ruled that unclaimed MoneyGrams are similar to money orders, and are governed by the Disposition of Abandoned Money Orders and Traveler's Check Act (Federal Disposition Act or FDA). This Act requires that unclaimed MoneyGrams escheat to the state in which they were purchased. The amount Montana will receive as a result of this case is undetermined.

On March 13, 2023, Governor Gianforte signed several bills into law to provide Montanans immediate tax rebates and permanent, long-term tax relief, including \$500.0 million in permanent income tax relief, \$280.0 million in property tax relief, income tax rebates up to \$1,250, lowering the capital gains tax rates, and increasing the business equipment tax exemption from \$100.0 thousand to \$1.0 million, and to pay off \$40.0 million of the State's general obligation debt over the next two years.

**NOTE 18. COMPONENT UNITS****A. Condensed Financial Statements**

Below are the condensed financial statements of the component units for the State of Montana as of June 30, 2022 (in thousands):

	Condensed Statement of Net Position						
	Component Units						
	Montana Board of Housing	Facility Finance Authority	Montana Reinsurance Association <sup>(1)</sup>	Montana State Fund <sup>(1)</sup>	Montana State University	University of Montana	Total Component Units
<b>Assets:</b>							
Cash, investments and other assets	\$ 648,579	\$ 9,595	\$ 50	\$ 1,740,765	\$ 829,526	\$ 686,612	\$ 3,915,127
Due from primary government	—	—	—	—	1,030	976	2,006
Due from component units	—	—	—	—	—	263	263
Capital assets (net) (Note 18C)	3,154	65	—	50,049	625,070	402,254	1,080,592
Total assets	651,733	9,660	50	1,790,814	1,455,626	1,090,105	4,997,988
<b>Deferred Outflows of Resources</b>	883	138	—	6,799	66,775	51,747	126,342
<b>Liabilities:</b>							
Accounts payable and other liabilities	10,375	18	192	85,940	58,077	68,498	223,100
Due to primary government	—	—	—	—	1,831	46	1,877
Due to component units	—	—	—	—	263	—	263
Advances from primary government <sup>(2)(3)</sup>	—	—	—	—	13,817	2,900	16,717
Long-term liabilities (Note 18I)	481,363	395	39,115	1,034,136	404,307	282,468	2,241,784
Total liabilities	491,738	413	39,307	1,120,076	478,295	353,912	2,483,741
<b>Deferred Inflows of Resources</b>	745	114	—	8,997	61,216	59,859	130,931
<b>Net Position:</b>							
Net investment in capital assets	(47)	—	—	50,051	410,479	254,896	715,379
Restricted	160,180	—	—	—	403,891	414,993	979,064
Unrestricted	—	9,271	(39,257)	618,489	168,520	58,192	815,215
Total net position	\$ 160,133	\$ 9,271	\$ (39,257)	\$ 668,540	\$ 982,890	\$ 728,081	\$ 2,509,658

<sup>(1)</sup> Montana Reinsurance Association and Montana State Fund report their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2021.

<sup>(2)</sup> Loans from the Coal Severance Tax Permanent Fund make up \$4.3 million and \$2.9 million of these balances for Montana State University and University of Montana, respectively.

<sup>(3)</sup> Loans from the Board of Investment's INTERCAP and the Department of Environmental Quality's energy conversation loan programs make up \$7.7 million and \$1.7 million, respectively, of the balance for Montana State University.

## Condensed Statement of Activities

## Component Units

	Montana Board of Housing	Facility Finance Authority	Montana Reinsurance Association <sup>(1)</sup>	Montana State Fund <sup>(1)</sup>	Montana State University	University of Montana	Total Component Units
<b>Expenses</b>	\$ 17,997	\$ 643	\$ 31,732	\$ 210,273	\$ 686,933	\$ 483,135	\$ 1,430,713
<b>Program Revenues:</b>							
Charges for services	2,644	1,153	—	159,680	314,355	177,511	655,343
Operating grants and contributions	15,018	88	17,627	—	275,191	160,404	468,328
Capital grants and contributions	—	—	—	—	18,983	2,209	21,192
Total program revenues	17,662	1,241	17,627	159,680	608,529	340,124	1,144,863
Net (expense) program revenues	(335)	598	(14,105)	(50,593)	(78,404)	(143,011)	(285,850)
<b>General Revenues:</b>							
Unrestricted investment earnings (losses)	—	—	—	46,488	(6,746)	(6,721)	33,021
Transfer from primary government <sup>(2)(3)</sup>	—	—	7,775	—	147,936	109,755	265,466
Gain (loss) on sale of capital assets	—	—	—	(1)	190	(787)	(598)
Miscellaneous	—	—	—	829	—	1	830
Contributions to term and permanent endowments	—	—	—	—	16	61,179	61,195
Total general revenues and contributions	—	—	7,775	47,316	141,396	163,427	359,914
Change in net position	(335)	598	(6,330)	(3,277)	62,992	20,416	74,064
Total net position – July 1 – as previously reported	160,108	8,680	—	671,819	920,223	707,109	2,467,939
Adjustments to beginning net position (Note 2)	360	(7)	(32,927)	(2)	(325)	556	(32,345)
Total net position – July 1 – as restated	160,468	8,673	(32,927)	671,817	919,898	707,665	2,435,594
Total net position – June 30	\$ 160,133	\$ 9,271	\$ (39,257)	\$ 668,540	\$ 982,890	\$ 728,081	\$ 2,509,658

<sup>(1)</sup> Montana Reinsurance Association and Montana State Fund report their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2021.

<sup>(2)</sup> Transfers to both Montana State University and the University of Montana are appropriated by the State legislature to assist with higher education related costs.

<sup>(3)</sup> Transfers to Montana Reinsurance Association is the association member assessments collected by Montana Commissioner of Securities and Insurance.

## B. Cash/Cash Equivalents and Investments

Due to the integration of funds and combined financial information, component unit cash and cash equivalents, equity in pooled investments, and investments are included with the primary government in Note 3. For more detail on investments held outside of the Montana Board of Investments, refer to the entity's respective separately issued financial statements.

### C. Capital Assets

The following table summarizes net capital assets reported by the discretely presented component units (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

	Montana State University	University of Montana	Other	Total
Capital assets not being depreciated:				
Land	\$ 8,203	\$ 8,306	\$ 1,139	\$ 17,648
Construction work in progress	11,252	25,092	—	36,344
Capitalized collections	9,971	28,338	—	38,309
Livestock for educational purposes	4,332	—	—	4,332
Total capital assets not being depreciated	<u>33,758</u>	<u>61,736</u>	<u>1,139</u>	<u>96,633</u>
Capital assets being depreciated:				
Infrastructure	45,122	9,904	—	55,026
Land improvements	35,200	16,468	—	51,668
Buildings/Improvements	890,961	687,947	27,941	1,606,849
Equipment	185,290	115,210	7,712	308,212
Livestock	—	255	—	255
Library books	67,821	62,845	—	130,666
Leasehold improvements	8,668	—	—	8,668
Right to use lease buildings <sup>(1)</sup>	36,349	611	8,621	45,581
Right to use lease equipment <sup>(1)</sup>	395	1,191	61	1,647
Total capital assets being depreciated	<u>1,269,806</u>	<u>894,431</u>	<u>44,335</u>	<u>2,208,572</u>
Total accumulated depreciation	<u>(692,680)</u>	<u>(558,583)</u>	<u>(13,094)</u>	<u>(1,264,357)</u>
Total capital assets being depreciated, net	<u>577,126</u>	<u>335,848</u>	<u>31,241</u>	<u>944,215</u>
Intangible assets	376	822	20,888	22,086
MSU Component Unit capital assets not being depreciated	5,998	—	—	5,998
MSU Component Unit capital assets being depreciated, net	7,812	—	—	7,812
UM Component Unit capital assets not being depreciated	—	1,590	—	1,590
UM Component Unit capital assets being depreciated, net	—	2,258	—	2,258
Discretely Presented Component Units capital assets, net	<u>\$ 625,070</u>	<u>\$ 402,254</u>	<u>\$ 53,268</u>	<u>\$ 1,080,592</u>

<sup>(1)</sup> Beginning balances for right to use assets were restated due to GASB 87 implementation.

Total right to use lease capital assets (in thousands):

	Montana State University	University of Montana	Other	Total
Right to Use Lease Capital Assets	\$ 36,744	\$ 1,802	\$ 8,682	\$ 47,228
Right to Use Lease Accumulated Amortization	(4,502)	(1,073)	(794)	(6,369)
Total Right to Use Lease Capital Assets, net	<u>\$ 32,242</u>	<u>\$ 729</u>	<u>\$ 7,888</u>	<u>\$ 40,859</u>

#### **D. Other Postemployment Benefits (OPEB)**

Non-university component units are included in the State of Montana benefit plan, whereas the Office of the Commissioner of Higher Education (included in the primary government otherwise) is included in the Montana University System benefit plan. For these reasons, component unit OPEB information is included in Note 7.

#### **E. Risk Management**

**(1) Montana State Fund or New Fund (MSF)** – MSF estimates unpaid claims and claim adjustment expenses based on the ultimate cost of settling the claims, including the effects of inflation and other societal/economic factors. There are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage for the last three years for MSF. This fund uses the accrual basis of accounting. Montana State Fund investments are recorded at fair value, and the premiums and discounts are amortized using the scientific interest method over the life of the securities.

This fund provides liability coverage to employers for injured employees who are insured under the Workers Compensation and Occupational Disease Acts of Montana and workers compensation claims occurring on or after July 1, 1990. MSF is a self-supporting, competitive State fund, and functions as the guaranteed market. At December 31, 2021, approximately 23,200 employers were insured with MSF. Anticipated investment income is considered for computing a premium deficiency, and employers must pay premiums to MSF within specified time frames.

An actuarial study prepared by WTW, as of December 31, 2021, estimated the cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. Due to the fact that actual claim costs depend on complex factors such as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. As of December 31, 2021, \$936.0 million of unpaid claims and claim adjustment expenses were presented at face value.

Section 39-71-2311, MCA, requires MSF to set premiums, at least annually, at a level sufficient to ensure adequate funding of the insurance program during the period the rates will be in effect. It also requires MSF to establish a minimum surplus above risk-based capital requirements to support MSF against risks inherent in the business of insurance.

For the year ended December 31, 2021, MSF ceded premiums to other reinsurance companies to limit the exposure arising from large losses. These arrangements consist of excess of loss contracts that protect against individual occurrences over stipulated amounts, and an aggregate stop-loss contract which protects MSF against the potential that aggregate losses will exceed expected levels expressed as a percentage of premium. The excess of loss contract provides coverage for occurrences up to \$100.0 million; however, MSF retains the first \$10.0 million of coverage. The excess of loss protection applies to an individual occurrence with a maximum of \$10.0 million on any one life.

The aggregate stop-loss contract provides coverage based on MSF's premium levels not to exceed 20.0% of the subject net earned premium. In the event reinsurers are unable to meet their obligations, under either the excess of loss contracts or the aggregate stop loss contract, MSF would remain liable for all losses, as the reinsurance agreements do not discharge MSF from its primary liability to the policyholders.

Premium revenue was reduced by premiums paid for reinsurance coverage of \$9.5 million during the year ended December 31, 2021.

Estimated claim reserves were reduced by \$725.9 thousand as of December 31, 2021, for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due to the excess of loss reinsurance contract. There were no estimated recoverables due to the aggregate stop-loss contract.

**(2) Montana Reinsurance Association (MRA)** – MRA estimates its liability for claims that were incurred before year-end, but for which payment will not be made until after year-end. The estimate is based on information concerning incurred but not reported claims provided by MRA members that are currently participating in the Montana individual marketplace. The MRA's Board monitors the estimates with assistance from actuarial consultants, and the necessary adjustments are reflected in current operations. Differences between actual and estimated claims are charged to operations in the year that the differences, if any, become known.

The provision for incurred losses and loss adjustments increased during the years ended December 31, 2021 and 2020. The change is primarily due to unanticipated developments during the year on losses incurred from previous years, and the corresponding change in the actuarial estimates of ultimate liabilities for incurred claims from those years.

**(3) Changes in Claims Liabilities for the Past Two Years** – As indicated above, the funds establish liabilities for both reported and unreported insured events, including estimates of future payments of losses and related claim adjustment expenses. The following table presents changes (in thousands) in the aggregate liabilities for Montana State Fund net of estimated reinsurance recoverable, and the liabilities for Montana Reinsurance Association. The information presented is at face value and has not been discounted.

Year Ended December 31,	<u>Montana State Fund</u>		<u>Montana Reinsurance Association</u>	
	2021	2020	2021	2020
Unpaid claims and claim adjustments expenses at beginning of year	\$ 940,161	\$ 956,594	\$ 32,890	\$ —
Incurred claims and claim adjustment expenses:				
Provision for insured event of the current year	133,103	125,599	39,116	32,890
Increase (decrease) in provision for insured events of prior years	(29,843)	(27,224)	(7,681)	—
Total incurred claims and claim adjustment expenses	103,260	98,375	31,435	32,890
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	(27,152)	(23,890)	—	—
Claims and claim adjustment expenses attributable to insured events of prior years	(80,292)	(90,918)	(25,210)	—
Total payments	(107,444)	(114,808)	(25,210)	—
Total unpaid claims and claim adjustment expenses at end of year	\$ 935,977	\$ 940,161	\$ 39,115	\$ 32,890



## F. Lease Payables

Discretely presented component units reported lease payables primarily related to the use of buildings and equipment. Information regarding the right to use assets associated with leases can be found in Section C of Note 18.

Principal and interest requirements to maturity for leases at June 30, 2022, were as follows (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

Fiscal Year Ended June 30:	Montana State University		University of Montana		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 3,916	\$ 523	\$ 240	\$ 19	\$ 403	\$ 158	\$ 4,559	\$ 700
2024	3,375	456	175	13	386	149	3,936	618
2025	3,415	393	156	8	367	141	3,938	542
2026	2,680	341	150	26	375	134	3,205	501
2027	2,732	296	21	—	390	127	3,143	423
2028 - 2032	8,606	915	—	—	2,102	512	10,708	1,427
2033 - 2037	3,473	487	—	—	2,429	288	5,902	775
2038 - 2042	1,980	291	—	—	1,482	53	3,462	344
2043 - 2047	2,396	111	—	—	—	—	2,396	111
2048 - 2052	87	—	—	—	—	—	87	—
Total	\$ 32,660	\$ 3,813	\$ 742	\$ 66	\$ 7,934	\$ 1,562	\$ 41,336	\$ 5,441

## G. Lease Receivables

The Leases Receivables reported by Montana State University (MSU) and the University of Montana (UM) were associated with the leasing of building space. For the fiscal year ended June 30, 2022, MSU reported total lease revenue of \$375.2 thousand and related interest revenue of \$36.1 thousand while UM reported total lease revenue of \$293.6 thousand and related interest revenue of \$134.8 thousand.

## H. Debt Service Requirements

Debt service requirements of discretely presented component units at June 30, 2022, were as follows (in thousands):

Fiscal Year Ended June 30:	Montana Board of Housing		Montana State University		Montana State University Direct Placement		University of Montana	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 15,695	\$ 14,364	\$ 8,303	\$ 7,046	\$ 305	\$ 297	\$ 3,130	\$ 5,348
2024	17,055	14,118	8,563	6,813	350	251	3,255	5,224
2025	17,105	13,754	8,680	6,560	365	240	3,380	5,095
2026	20,000	13,364	9,020	6,252	375	230	3,515	4,962
2027	18,690	12,835	8,295	5,962	385	219	3,670	4,808
2028 - 2032	98,320	55,579	38,295	25,292	2,095	917	21,165	21,217
2033 - 2037	89,935	40,005	39,085	17,150	2,425	589	25,860	16,526
2038 - 2042	78,586	25,989	35,220	9,959	2,805	209	30,290	12,100
2043 - 2047	65,450	13,361	31,235	3,251	—	—	35,530	6,847
2048 - 2052	43,600	3,549	2,900	49	—	—	24,235	1,189
2053 - 2057	585	15	—	—	—	—	—	—
Total	\$ 465,021	\$ 206,933	\$ 189,596	\$ 88,334	\$ 9,105	\$ 2,952	\$ 154,030	\$ 83,316

## I. Summary of Changes in Long-term Liabilities Payable

Long-term liability activity of discretely presented component units for the year ended June 30, 2022, was as follows (in thousands):

	Beginning Balance <sup>(2)</sup>	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
<b>Discretely presented component units</b>						
Bonds/notes payable						
Montana Board of Housing	\$ 493,962	\$ 95,777	\$ 114,817	\$ 474,922	\$ 15,695	\$ 459,227
Montana State University (MSU)	155,836	127,780	79,549	204,067	8,303	195,764
MSU Direct Placement	15,229	9,105	15,229	9,105	305	8,800
University of Montana (UM)	164,865	—	3,951	160,914	3,130	157,784
Total bonds/notes payable <sup>(1)</sup>	829,892	232,662	213,546	849,008	27,433	821,575
Other liabilities						
Lease Payable <sup>(4)</sup>	44,308	2,037	5,009	41,336	4,559	36,777
Compensated absences payable	72,760	23,075	25,405	70,430	25,553	44,877
Arbitrage rebate tax payable	761	283	—	1,044	618	426
Estimated insurance claims <sup>(5)</sup>	973,051	109,485	107,444	975,092	154,495	820,597
Due to federal government	23,909	11	3,071	20,849	—	20,849
Derivative instrument liability	1,919	—	1,516	403	—	403
Reinsurance funds withheld	65,278	40	—	65,318	—	65,318
Unearned compensation	488	131	40	579	—	579
Net pension liability	237,781	27,447	104,804	160,424	—	160,424
Total OPEB liability	58,124	8,004	15,648	50,480	—	50,480
Total other liabilities	1,478,379	170,513	262,937	1,385,955	185,225	1,200,730
	2,308,271	403,175	476,483	2,234,963	212,658	2,022,305
Long-term liabilities of Montana University System component units <sup>(3)</sup>					223	6,598
Total discretely presented component units' long-term liabilities					\$ 212,881	\$ 2,028,903

<sup>(1)</sup> When applicable, this amount includes unamortized discounts and unamortized premiums.

<sup>(2)</sup> Beginning balances are taken from component unit financial statements, which may have been adjusted from the prior year's ending balances.

<sup>(3)</sup> Inter-entity transaction eliminations between Montana University System component units for debt shown in the component unit information can cause negative balances in component unit information.

<sup>(4)</sup> The beginning balance has been restated for the implementation of GASB Statement No. 87.

<sup>(5)</sup> The beginning balance has been restated due to the change in the reporting entity.

## **J. Refunded and Early Retired Debt**

### Refunded Debt

On October 19, 2021, Montana State University (MSU) issued Series G 2021 tax-exempt bonds in the amount of \$45.6 million, to refund the Series C 2016 Facilities Improvement Revenue drawn-down bonds. The refunding resulted in an economic gain of \$1.0 million.

On October 19, 2021, MSU issued Series H 2021 refunding taxable bonds in the amount of \$72.1 million, to refund the Series N 2012 bonds, the Series O 2012 bonds, and the Series A 2013 bonds. The advanced refunding resulted in an economic gain of \$0.8 million for Series N 2012, \$0.2 million for Series O 2012, and \$8.2 million for Series A 2013.

### Defeased Debt Outstanding

The University of Montana has defeased certain bond issues by placing the proceeds of new bonds in an irrevocable trust. The proceeds, together with interest earned thereon, will be sufficient for future debt service payments on the refunded issues. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's consolidated financial statements. As of June 30, 2022, \$91.7 million of bonds outstanding were considered defeased.

## **K. No-Commitment Debt**

Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

### Facility Finance Authority (FFA)

FFA is authorized to issue bonds and notes to finance projects for qualifying health care and other community-based service providers. The revenue bonds are payable solely from loan repayments to be made by eligible facilities pursuant to loan agreements, and further, from the funds created by the indentures and investment earnings thereon. The notes are payable solely from loan repayments pursuant to loan agreements. The revenue bonds and notes payable issued by FFA do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana, with the exception of the Montana State Hospital Project included in Note 11. At June 30, 2022, revenue bonds and notes outstanding aggregated \$1.4 billion.

The Board of Investments and FFA have entered into a capital reserve account agreement for certain bond issues. See Note 11 for more information.

### Montana Board of Housing (MBOH)

MBOH is authorized to issue bonds and make mortgage loans in order to finance affordable housing for Montana residents. The bonds are special limited obligations, payable solely from pledged revenues and assets of the borrower, not general obligations of MBOH. These bonds issued by MBOH do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2022, bonds outstanding aggregated \$258.9 million.

## **L. Non-Exchange Financial Guarantee**

BOI provides loan guarantees from STIP, TFIP, and the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled \$113.6 million as of June 30, 2022. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute, which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI and FFA have entered into an agreement detailing repayment to BOI. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2022 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
\$ 100,248	\$ 18,000	\$ 4,675	\$ 113,573

#### M. Derivative Instrument Transactions Related to Long-term Debt

Montana State University (MSU) has two interest rate swaps as of June 30, 2022. Interest rate swaps are classified as hedging derivative instruments if the instruments meet the criteria of paragraphs 27 (a) and (b) of GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), or as investment derivative instruments if they do not. The following table summarizes the interest rate swaps outstanding as of June 30, 2022:

Derivative Instrument Description	Trade Date	Effective Date	Termination Date	Terms	Counterparty
25.75 million fixed payer swap	3/10/2005	7/21/2005	11/15/2035	Pay 3.953%, Receive SIFMA <sup>1</sup>	Deutsche Bank AG
25.25 million basis swap	12/19/2006	11/15/2007	11/15/2035	Pay SIFMA, Receive 86.8% of 10-year SIFMA	Morgan Stanley Capital Services Inc.

<sup>1</sup> Securities Industry and Financial Markets Association (SIFMA)

As of June 30, 2022, the fixed payer swap is classified as a hedging derivative instrument under GASB 53, whereas the basis swap is an investment derivative instrument because there is no identified financial risk being hedged by the basis swap that can be expressed in terms of exposure to adverse changes in cash flows or fair values. GASB 53 includes four methods for evaluating hedge effectiveness; a governmental entity may use any of the evaluation methods outlined in GASB 53 and is not limited to using the same method from period to period. The four methods described in GASB 53 are: consistent critical terms, synthetic instrument, dollar-offset, and regression analysis. In addition, GASB 53 permits a governmental entity to use other quantitative methods that are based on “established principles of financial economic theory.” The fixed payer swap passes the established criteria using the regression analysis methodology.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. To measure non-performance risk for a derivative instrument liability, credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics were used. This is the best method available under current market conditions since MSU has no credit default swaps that actively trade in the marketplace. For a derivative instrument asset, the adjustment for non-performance risk of counterparties was determined by analyzing counterparty-specific credit default swaps, if available. If not available, credit default swaps in the market for entities of similar type and rating were used, along with information found in various public and private information services. This analysis is used to construct a credit curve that is applied to the discount curve on the net settlement payments of the derivative instrument.

The counterparty to the fixed payer swap had the right to terminate the swap at \$0 on December 14, 2016 (a European option) but did not exercise the option. As of the trade date, the option’s value included intrinsic value and time value. The option’s intrinsic value (calculated as the difference between the at-market rate of 4.11% and the off-market rate of 3.953%) is accounted for as a loan receivable and is repaid by the off-market portion of each swap payment. On September 10, 2010, the Series J bonds were converted to index bonds. On September 4, 2018, the original Series J bonds were refunded in full with proceeds from the Series F 2018 bonds, which were issued in a “SIFMA Index Rate” mode. While in the SIFMA Index Rate, and through the Index Interest Rate Period, which spans from September 4, 2018,

through and including September 1, 2023, the interest rate is reset weekly at a rate of the SIFMA rate plus a fixed spread. The spread is based on the long-term, unenhanced rating assigned to MSU with the current spread as of June 30, 2022, was 0.45%, which remains constant through the Index Interest Rate Period. The dependent variable in the regression is the interest rates of the hedged cash flows; the independent variable is the floating rates due under the hedging derivative instrument.

The fair value of the fixed payer swap liability as of June 30, 2022, is at fair value level 2 and was based on forward SIFMA rates using the three-month Libor Zero Curve, and the BMA Swaption Volatility on the AA Rated Muni Revenue Curve. The fair value of the nonhedging derivative instrument investment is also at level 2 and was based on forward SIFMA rates using the 10-year forward BMA constant maturity swap using the three-month Libor Zero Curve, and the BMA Swaption Volatility on the counterparty's credit default swap.

The following table summarizes the reported balances as of, and the derivative instrument activity during, the year ended June 30, 2022, (in thousands):

Cash flow hedges:	Notional	Activity During 2021		Fair Values at June 30, 2021	
		Classification	Amount	Classification	Amount
Cash flow hedge –					
Pay fixed interest rate swap	16,575	Interest expense	17	Loan receivable	157
		Investment income	—	Derivative instrument liability	79
		Deferred outflow	(2,243)	Derivative instrument borrowing	1,967
Investment derivative instrument–					
Basis swap	16,575	Investment revenue	80	Investment (excluding interest accrued)	(79)

The objective and terms of MSU's hedging derivative instrument outstanding as of June 30, 2022, is as follows (in thousands):

Type	Objective	Notional amount	Effective Date	Termination Date	Cash (Paid)/Received	Terms
Pay fixed, cancelable interest rate swap	Hedge interest rate risk on Series F 2018 Bonds	\$ 16,575	7/21/2005	11/15/2035	\$ —	Pay 3.953% Receive SIFMA

### Credit Risk

It is MSU's policy to enter into derivative instrument agreements with highly rated counterparties. As of June 30, 2022, counterparty ratings were A2 by Moody's and BBB+ by Standard and Poor's (S&P). MSU manages credit risk by requiring its counterparties to post collateral in certain events. MSU is entitled to collateral from its fixed payer swap counterparty if the interest rate swap's fair value is greater than \$5.0 million, and the counterparty is rated A+ or A by S&P, or A1 or A2 by Moody's. If the counterparty to the fixed payer swap is rated A- or below by S&P, or A3 or below by Moody's, MSU is entitled to collateral up to 100% of the swap's fair value. MSU is not required to post collateral. MSU will continue to monitor counterparty credit risk.

MSU enters into derivative instrument agreements with multiple counterparties to limit the concentration of credit risk. Currently, MSU has interest rate swaps with two different counterparties, and each counterparty accounts for approximately 50% of outstanding notional. MSU monitors counterparty credit risk on an ongoing basis.

### Interest Rate Risk

Interest payments on variable rate debt will typically increase as interest rates increase. MSU believes it has significantly reduced interest rate risk by entering into a pay-fixed, receive floating interest rate swap.

As interest rates increase, net swap payments decrease so that changes in hedged variable-rate debt interest payments, attributable to SIFMA, are largely offset by the net swap payments.

#### **Basis Risk**

The variable-rate cash flows being hedged by the pay-fixed swap will increase or decrease as SIFMA rates increase or decrease. Because the hedged cash flows are SIFMA based and the floating receipts of the pay-fixed swap are SIFMA based, there is no basis risk.

#### **Termination Risk**

MSU or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, MSU's fixed payer swap counterparty has the right to terminate the derivative instrument if the credit rating of MSU's unenhanced long-term revenue bond rating is withdrawn, suspended, or reduced below BBB-, in the case of S&P, or below Baa3 in the case of Moody's. If such an event occurs, MSU could be forced to terminate the fixed payer swap in a liability position. As of June 30, 2022, MSU's unenhanced long-term revenue bond rating was Aa3 by Moody's and A+ by S&P.

#### **Foreign Currency Risk**

All hedging derivative instruments are denominated in U.S. Dollars, and therefore MSU is not exposed to foreign currency risk.

#### **Market Access Risk**

Market access risk is the risk that MSU will not be able to enter credit markets or that credit will become more costly. For example, to complete a derivative instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time MSU is unable to enter credit market, expected cost savings may not be realized.

### **N. Related Party Transactions**

Private nonprofit organizations with relations to the University of Montana (UM) include the Alumni Association, the Montana Technology Enterprise Center (MonTEC), the Montana Tech Booster Club, and the Montana Tech Alumni Association. The associations and booster club operate exclusively to encourage, promote, and support educational programs, research, scholarly pursuits, and athletics at, or in connection with, UM. For the year ended June 30, 2022, \$304.4 thousand was transferred from or expended by the Montana Tech Booster Club for scholarships, academic and institutional support, respectively. In exchange, UM provides the associations and booster club with office space, staff, and some related office expenses.

MonTEC was established as a nonprofit 501(c)3 corporation in fiscal year 2001 as a result of an agreement between UM and the Missoula Area Economic Development Foundation (MAEDF). MonTEC provides low-cost lease space and business consulting to local "start-up" companies. The corporation's board of directors is comprised of four members. Two members of the board of directors are UM employees, and two are non-UM employees. UM does not provide office space or other services to MonTEC.

Private nonprofit organizations affiliated with Montana State University (MSU) include the MSU-Bozeman Bookstore, Friends of KUSM, and Friends of KEMC. MSU-Bozeman leased certain office space from the MSU Foundation's wholly owned subsidiary, Advanced Technology Inc. (ATI). Rental and other payments to ATI totaled \$450.6 thousand for the year ended June 30, 2022. Friends of Montana Public Television provided \$1.6 million and Friends of KEMC Public Radio provided \$1.2 million in support of the University's television and radio stations for the year ended June 30, 2022.

### **O. Litigation Contingencies**

Logan Combs v. Big Sky Building Systems, Inc. et al.: On February 24, 2022, Plaintiff Logan Combs filed suit in the Montana Eighteenth Judicial District Court in Gallatin County, Montana. The suit relates to a

catastrophic workplace injury Combs suffered on or about April 14, 2021. The named defendants include two Montana State Fund (MSF) policyholders: Big Sky Building Systems, Inc., and JAWC, LLC. The suit alleges that these two policyholders were contractors on the worksite and pleads two causes of action: common-law negligence and failure to provide a safe workplace under Section 50-71-201, MCA. All MSF policies include an Employer Liability ("EL") coverage component. Taken together, the EL per-accident coverage limits for the two policyholders exceed \$1.0 million. Given the nature of Mr. Combs' injuries, it is anticipated that the asserted value of his claim may exceed \$1.0 million. The complaint in this action has been served, and the matter is in the discovery phase. As of February 2023, MSF believes it has significant viable defenses to the claim and assess the probability of recovery against MSF to be reasonably possible.

## **P. Subsequent Events**

On July 1, 2022, Montana Board of Housing (MBOH) issued a Multifamily Housing Revenue private placement conduit bond, Series 2022, in the amount of \$7.4 million for the Bridger Peaks Apartment Project.

On September 13, 2022, Oakwood Village in Havre, Montana, requested a decrease to their Coal Trust loan from \$3.6 million to \$2.1 million, and a \$1.5 million loan from the Multifamily Loan Program funds to cover the decrease in Coal Trust funds. The change was due to a property tax issue related to the Coal Trust funds loan that was unknown until close to closing. The loan was closed on November 1, 2022.

On November 17, 2022, MBOH issued a Multifamily Housing Revenue private placement conduit bond, Series 2022, in the amount of \$11.9 million, for the Comstock Apartments Project.

On December 21, 2022, MBOH issued Single Family Mortgage Bonds, Series 2022C (non-AMT), in the amount of \$40.0 million, to be used for the purpose of acquiring additional mortgage loans and down payment assistance loans for Montana residents.

On July 15, 2022, Montana Facility Finance Authority (FFA) issued a trust fund loan in the amount of \$821.9 thousand and a direct loan in the amount of \$375.0 thousand to Central Montana Medical Center for the purpose of refinancing existing loans with a higher interest rate.

On July 18, 2022, FFA approved a loan from Dividend Finance of \$3.8 million to the Headwaters Utility District/Bridger Brewing Company under the Commercial Property Assessed Capital Enhancement (C-PACE) program to provide funds for a production brewery as well as the private sewer district.

On November 29, 2022, FFA issued a direct loan of \$375.0 thousand and a trust fund loan of \$625.0 thousand to the Central Montana Medical Center. The total loan amount of \$1.0 million was issued to purchase an MRI machine.

On November 18, 2022, the Montana University System Board of Regents granted Montana State University (MSU) authority to refinance the Series F 2018 Facilities Revenue Bonds. The University's first optional date to refund the principal balance is on March 1, 2023, and are subject to mandatory tender for purchase by September 1, 2023.

On November 18, 2022, the Montana University System Board of Regents granted MSU authority to plan, program, and design a new student housing facility. Preliminary planning and design costs are authorized up to \$6.0 million.

On August 26, 2022, the MSU Alumni Foundation (Foundation) concluded the purchase of the land and facilities at 4350 Spain Bridge Road, Belgrade, Montana for \$4.7 million. MSU is renting this property from the Foundation as a practice facility for the MSU Bobcat Rodeo team and is responsible for all operating and capital costs.

On August 24, 2022, the Foundation entered into an unsecured note payable, to finance the purchase of the MSU Bobcats Rodeo Facility. The 4.25% note payable is due in quarterly installments of interest accrued, and annual principal payments of \$520.0 thousand, maturing August 24, 2027.

On September 9, 2022, Montana State Fund's Board of Directors declared a dividend of \$30.0 million that was distributed to eligible policyholders during October.

On July 20, 2022, Montana University System Board of Regents priced \$60.0 million of tax-exempt General Revenue Bonds, Series 2022. The bond issuance closed on August 16, 2022. The proceeds from the bond issuance will be used primarily to fund cost overages on construction of a new dining facility and a dormitory renovation, and to fund construction of a new 200 bed residence hall on UM's Missoula campus. As defined in the Indenture for the Series 2022 Bonds, UM has pledged all permitted revenues after certain charges for payment of operation and maintenance expenses.

**Q. Commitments**

As of June 30, 2022, Montana State University (MSU) had issued purchase orders committing the expenditure of approximately \$31.1 million for equipment, supplies, and services which had not yet been received.

As of June 30, 2022, the University of Montana (UM) has spent \$32.0 million of \$120.1 million in budget authorizations for capital and maintenance projects.

As of June 30, 2022, Montana Board of Housing (MBOH) has committed \$3.2 million to purchase Single Family Mortgages, consisting of \$50.0 thousand for Foreclosure Prevention, \$863.0 thousand for Disabled Affordable Accessible Homeownership, \$726.4 thousand for Lot Refinance, and \$1.5 million for Habitat for Humanity.



**NOTE 19. MATERIAL VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS****Constitutionality of Retirement Plan Funding**

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is within 30 years. As of June 30, 2022, Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), and Game Wardens' and Peace Officers' Retirement System (GWPORS) were not in compliance and did not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortized in 30 years or less as of the fiscal year ended June 30, 2022.

MPERA has been working with the State Administration and Veterans' Affairs Interim Committee over the interim to provide information and recommend funding increases to all four systems.

**BUDGETARY COMPARISON SCHEDULE  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**  
(amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Licenses/permits	\$ 149,780	\$ 149,780	\$ 150,223	\$ 443
Taxes:				
Natural resource	60,952	60,952	113,578	52,626
Individual income	1,539,141	1,539,141	2,379,459	840,318
Corporate income	161,443	161,443	293,108	131,665
Property	333,090	333,090	347,201	14,111
Fuel	—	—	—	—
Other	267,802	267,802	290,457	22,655
Charges for services/fines/forfeits/settlements	36,638	36,638	35,162	(1,476)
Investment earnings (losses)	—	—	11,764	11,764
Sale of documents/merchandise/property	323	323	296	(27)
Rentals/leases/royalties	76	76	55	(21)
Contributions/premiums	(914)	(914)	—	914
Grants/contracts/donations	8,101	8,101	15,584	7,483
Federal	16,767	16,767	25,155	8,388
Federal indirect cost recoveries	183	183	253	70
Other revenues	179	179	1,220	1,041
Total revenues	2,573,561	2,573,561	3,663,515	1,089,954
<b>EXPENDITURES</b>				
Current:				
General government	418,332	418,332	383,413	34,919
Public safety	348,418	348,418	321,168	27,250
Transportation	1	1	1	—
Health and human services	545,638	545,638	504,083	41,555
Education	1,154,015	1,154,015	1,140,171	13,844
Natural resources	44,431	44,431	38,521	5,910
Debt service (Note RSI-1):				
Principal retirement	—	—	9,098	(9,098)
Interest/fiscal charges	—	—	1,222	(1,222)
Capital outlay (Note RSI-1)	—	—	4,194	(4,194)
Total expenditures	2,510,835	2,510,835	2,401,871	108,964
Excess of revenue over (under) expenditures	62,726	62,726	1,261,644	1,198,918
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	—	—	—	—
General capital asset sale proceeds	132	132	107	(25)
Bond issued	—	—	—	—
Energy conservation loans	—	—	—	—
Transfers in (Note 12)	86,211	86,211	130,844	44,633
Transfers out (Note 12)	(304,669)	(304,669)	(226,254)	78,415
Total other financing sources (uses)	(218,326)	(218,326)	(95,303)	123,023
Net change in fund balances (Budgetary basis)	(155,600)	(155,600)	1,166,341	1,321,941
<b>RECONCILIATION OF BUDGETARY/GAAP REPORTING</b>				
1. Securities lending income	—	—	28	28
2. Securities lending costs	—	—	(2)	(2)
3. Inception of lease/financed purchase	—	—	795	795
4. Adjustments for nonbudgeted activity	—	—	—	—
(GAAP basis)	(155,600)	(155,600)	1,167,162	1,322,762
Fund balance - July 1	—	—	856,300	856,300
Prior period adjustments	—	—	(25,024)	(25,024)
Increase (decrease) in inventories	—	—	(1,819)	(1,819)
Fund balances - June 30	\$ (155,600)	\$ (155,600)	\$ 1,996,619	\$ 2,152,219

The notes to the required supplementary information are an integral part of this schedule.

Budgetary data is not broken down to the same account level as actual financial statement data, which accounts for some of the larger variances. The original and final budget figures reflect adjustments to the original budget for various reasons, including legislative and executive changes.

STATE SPECIAL REVENUE FUND				FEDERAL SPECIAL REVENUE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
\$ 330,630	\$ 330,630	\$ 318,208	\$ (12,422)	\$ —	\$ —	\$ —	\$ —
67,873	67,873	108,152	40,279	—	—	—	—
—	—	—	—	—	—	—	—
11	11	12	1	—	—	—	—
21,445	21,445	22,021	576	—	—	—	—
281,114	281,114	282,834	1,720	—	—	—	—
193,668	193,668	218,324	24,656	2	2	—	(2)
113,517	113,517	105,552	(7,965)	6,181	6,181	7,014	833
—	—	243	243	—	—	227	227
13,208	13,208	11,572	(1,636)	17	17	—	(17)
1,250	1,250	1,219	(31)	—	—	—	—
35,417	35,417	42,419	7,002	—	—	—	—
17,974	17,974	9,805	(8,169)	143	143	26	(117)
7,189	7,189	7,967	778	4,500,181	4,500,181	3,874,565	(625,616)
58,400	58,400	45,855	(12,545)	93,958	93,958	95,384	1,426
3,774	3,774	3,772	(2)	1,160	1,160	430	(730)
1,145,470	1,145,470	1,177,955	32,485	4,601,642	4,601,642	3,977,646	(623,996)
355,463	355,463	239,795	115,668	2,149,237	2,149,237	260,878	1,888,359
123,444	123,444	107,475	15,969	49,073	49,073	19,981	29,092
345,719	345,719	265,709	80,010	761,165	761,165	109,367	651,798
277,555	277,555	240,416	37,139	3,364,588	3,364,588	2,698,897	665,691
100,468	100,468	88,381	12,087	897,923	897,923	396,415	501,508
378,383	378,383	233,896	144,487	524,919	524,919	99,744	425,175
—	—	7,660	(7,660)	—	—	4,292	(4,292)
—	—	1,248	(1,248)	—	—	387	(387)
—	—	74,171	(74,171)	—	—	376,634	(376,634)
1,581,032	1,581,032	1,258,751	322,281	7,746,905	7,746,905	3,966,595	3,780,310
(435,562)	(435,562)	(80,796)	354,766	(3,145,263)	(3,145,263)	11,051	3,156,314
55	55	141	86	—	—	—	—
543	543	2,912	2,369	—	—	—	—
16,035	16,035	16,035	—	—	—	—	—
—	—	1,153	1,153	—	—	—	—
318,380	318,380	215,013	(103,367)	472,138	472,138	2,708	(469,430)
(119,214)	(119,214)	(47,568)	71,646	(1,284,700)	(1,284,700)	(25,764)	1,258,936
215,799	215,799	187,686	(28,113)	(812,562)	(812,562)	(23,056)	789,506
(219,763)	(219,763)	106,890	326,653	(3,957,825)	(3,957,825)	(12,005)	3,945,820
—	—	25	25	—	—	—	—
—	—	(5)	(5)	—	—	—	—
—	—	3,796	3,796	—	—	858	858
—	—	(16,912)	(16,912)	—	—	—	—
(219,763)	(219,763)	93,794	313,557	(3,957,825)	(3,957,825)	(11,147)	3,946,678
—	—	1,979,198	1,979,198	—	—	(11,321)	(11,321)
—	—	(51)	(51)	—	—	(2,807)	(2,807)
—	—	(1,015)	(1,015)	—	—	—	—
\$ (219,763)	\$ (219,763)	\$ 2,071,926	\$ 2,291,689	\$ (3,957,825)	\$ (3,957,825)	\$ (25,275)	\$ 3,932,550

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI – 1. BUDGETARY REPORTING

#### A. State Budget Process

The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. The Constitution requires that legislative appropriations not exceed available revenues. The Legislature uses revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budget appropriations at the fund level. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the general, special revenue and capital projects funds, except for those special revenue funds from non-state and non-federal sources restricted by law or by the terms of an agreement. The level of budgetary control is established by fund type, except capital project funds, which are at project level. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor, and the Legislative Fiscal Division receives a copy. The Office of Budget and Program Planning (OBPP) and the Governor analyze the requests, establish priorities, and develop the requests into the executive budget request submitted to the Legislature. Joint appropriations subcommittee hearings are held, and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The Legislature generally enacts one bill to establish the majority of appropriations for the next two fiscal years. OBPP establishes appropriations for each program by accounting entity (fund) within an agency. The Legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution, or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. In the second year of the biennium, during the legislative session, the Legislature may authorize supplemental appropriations. The Governor, or designee, may approve budget amendments for non-general fund monies not available for consideration by the Legislature and for emergencies. In the accompanying financial schedule, original and final budget amounts are reported. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations for debt service activities are continuing through statutory authority until the obligation is extinguished. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided. Appropriations for capital projects funds are not made on an annual basis, but are adopted on a project-length basis. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

Appropriations may be continued into the next fiscal year when authorized by the Legislature or the Governor's Office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued or encumbered. Fund balances are not reserved for reverted appropriations. For fiscal year 2022, reverted governmental fund appropriations were as follows: \$14.2 million in the General Fund, \$110.2 million in the State Special Revenue Fund, and \$130.5 million in the Federal Special Revenue Fund. Agencies are allowed to carry forward 30.0% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of OBPP.

#### B. Budget Basis

The Legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with Generally Accepted Accounting Principles (GAAP). The budget basis differs from GAAP

for encumbrances outstanding at fiscal year-end, compensated absences, capital assets and inventories purchased in proprietary funds, certain loans from governmental funds, and other miscellaneous non-budgeted activity.

## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI – 2. PENSION PLAN INFORMATION

#### Required Supplementary Information State of Montana as an Employer Entity

#### Judges' Retirement System Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios <sup>1</sup> For the Fiscal Year Ended June 30 (dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability (TPL)</b>								
Service costs	\$ 1,897	\$ 1,748	\$ 1,772	\$ 1,664	\$ 1,628	\$ 1,578	\$ 1,653	\$ 1,594
Interest	4,949	4,842	4,458	4,503	4,044	3,986	3,934	3,824
Differences between expected and actual experience	376	(262)	2,743	(2,901)	862	(1,341)	(1,032)	—
Changes of assumptions	1,870	1,912	—	—	3,865	—	—	—
Refunds of contributions	—	—	—	(149)	—	—	—	—
Benefit payments	(4,205)	(4,038)	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Net change in total pension liability	4,887	4,202	5,127	(606)	6,845	807	1,514	2,395
Total pension liability – beginning	69,521	65,319	60,192	60,798	53,953	53,146	51,632	49,237
Total pension liability – ending	\$ 74,408	\$ 69,521	\$ 65,319	\$ 60,192	\$ 60,798	\$ 53,953	\$ 53,146	\$ 51,632
<b>Plan Fiduciary Net Position</b>								
Contributions – employer	\$ 2,139	\$ 1,988	\$ —	\$ 1,085	\$ 1,800	\$ 1,806	\$ 1,684	\$ 1,651
Contributions – member	589	560	517	575	488	729	534	481
Net investment income	29,150	2,827	5,687	8,467	10,368	1,779	3,843	12,421
Refunds of contributions	—	—	—	(149)	—	—	—	—
Benefit payments	(4,205)	(4,038)	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Administrative expense	(126)	(157)	(123)	(264)	(254)	(197)	(136)	(100)
Other	(3)	—	—	7	—	(3)	—	—
Net change in plan fiduciary net position	27,544	1,180	2,235	5,998	8,848	698	2,884	11,430
Plan fiduciary net position - beginning	106,066	104,886	102,651	96,653	87,805	87,107	84,223	72,793
Plan fiduciary net position - ending	\$ 133,610	\$ 106,066	\$ 104,886	\$ 102,651	\$ 96,653	\$ 87,805	\$ 87,107	\$ 84,223
<b>Net Pension (Asset) – Beginning</b>	\$ (36,545)	\$ (39,567)	\$ (42,459)	\$ (35,855)	\$ (33,852)	\$ (33,961)	\$ (32,591)	\$ (23,556)
<b>Net Pension (Asset) – Ending</b>	\$ (59,202)	\$ (36,545)	\$ (39,567)	\$ (42,459)	\$ (35,855)	\$ (33,852)	\$ (33,961)	\$ (32,591)
Plan fiduciary net position as a percentage of TPL	179.56%	152.57%	160.58%	170.54%	158.97%	162.74%	163.90%	163.12%
Covered payroll	\$ 8,408	\$ 8,001	\$ 7,382	\$ 7,291	\$ 6,974	\$ 6,920	\$ 6,525	\$ 6,355
Net pension (asset) as a percentage of covered payroll	(704.12)%	(456.76)%	(535.99)%	(582.35)%	(514.12)%	(489.19)%	(521.00)%	(513.00)%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Schedule of Employer Contributions <sup>1</sup>**  
**For the Fiscal Year Ended June 30**  
*(in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 79	\$ 2,138	\$ 1,988	\$ —	\$ 1,085	\$ 1,800	\$ 1,786	\$ 1,684
Contributions made in relation to the contractually required contributions	79	2,138	1,988	—	1,085	1,800	1,786	1,684
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 8,408	\$ 8,282	\$ 8,001	\$ 7,382	\$ 7,291	\$ 6,974	\$ 6,920	\$ 6,525
Contributions as a percentage of covered payroll	0.94%	25.82%	24.85%	0.00%	14.88%	25.81%	26.00%	26.00%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Judges' Retirement System**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2022**

**Method and assumptions used in calculations of contractually determined contributions:** The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0%
Total salary increases	3.50%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.11%

**Changes of assumptions:** The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Highway Patrol Officers' Retirement System  
Schedule of Changes in Net Pension Liability and Related Ratios <sup>1</sup>  
For the Fiscal Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability (TPL)</b>								
Service costs	\$ 7,578	\$ 3,337	\$ 3,453	\$ 3,643	\$ 3,665	\$ 3,799	\$ 3,598	\$ 3,464
Interest	16,742	17,688	16,926	16,294	15,121	14,545	14,113	13,518
Changes in benefits	—	—	—	—	—	—	1,856	—
Difference between expected and actual experience	1,913	(993)	2,413	590	2,774	18	267	—
Changes of assumptions	(125,247)	141,055	—	—	7,892	—	—	—
Benefit payments	(13,710)	(12,685)	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Refunds of contributions	(2,026)	(331)	(582)	(322)	(245)	(94)	—	—
Net change in total pension liability	(114,750)	148,071	10,147	8,659	18,170	7,786	9,833	7,539
Total pension liability – beginning	385,799	237,728	227,581	218,922	200,752	192,966	183,133	175,594
Total pension liability – ending	\$ 271,049	\$ 385,799	\$ 237,728	\$ 227,581	\$ 218,922	\$ 200,752	\$ 192,966	\$ 183,133
<b>Plan Fiduciary Net Position</b>								
Contributions – employer	\$ 6,423	\$ 6,003	\$ 5,845	\$ 5,858	\$ 5,782	\$ 5,916	\$ 5,840	\$ 5,736
Contributions – non-employer	224	226	233	250	263	243	—	—
Contributions – member	2,206	2,170	2,002	2,387	1,950	1,917	1,624	1,458
Net investment income	41,277	4,101	8,269	12,283	15,099	2,605	5,738	18,677
Benefit payments	(13,710)	(12,685)	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Administrative expense	(342)	(163)	(127)	(256)	(248)	(197)	(144)	(109)
Refunds of contributions	(2,026)	(331)	(582)	(322)	(245)	(94)	—	—
Other	(40)	(131)	2	8	—	(2)	—	—
Net change in plan fiduciary net position	34,012	(810)	3,579	8,662	11,564	(94)	3,057	16,319
Plan fiduciary net position – beginning	151,968	152,778	149,199	140,537	128,973	129,067	126,010	109,691
Plan fiduciary net position – ending	\$ 185,980	\$ 151,968	\$ 152,778	\$ 149,199	\$ 140,537	\$ 128,973	\$ 129,067	\$ 126,010
<b>Net Pension Liability – Beginning</b>	\$ 233,831	\$ 84,950	\$ 78,382	\$ 78,385	\$ 71,779	\$ 63,899	\$ 57,123	\$ 65,903
<b>Net Pension Liability – Ending</b>	\$ 85,069	\$ 233,831	\$ 84,950	\$ 78,382	\$ 78,385	\$ 71,779	\$ 63,899	\$ 57,123
Plan fiduciary net position as a percentage of TPL	68.61%	39.39%	64.27%	65.56%	64.20%	64.24%	67.00%	69.00%
Covered payroll	\$ 17,275	\$ 15,608	\$ 15,178	\$ 15,251	\$ 14,779	\$ 15,276	\$ 14,549	\$ 14,149
Net pension liability as a percentage of covered payroll	492.44%	1498.15%	559.69%	513.95%	530.38%	469.88%	439.00%	404.00%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.



**Schedule of Employer Contributions <sup>1</sup>**  
**For the Fiscal Year Ended June 30**  
*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 6,835	\$ 6,599	\$ 6,209	\$ 6,051	\$ 5,843	\$ 5,706	\$ 6,161	\$ 5,782
Contributions in relation to the contractually required contributions	6,835	6,599	6,209	6,051	5,843	5,706	6,161	5,782
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 17,275	\$ 16,631	\$ 15,608	\$ 15,178	\$ 15,251	\$ 14,779	\$ 15,276	\$ 14,549
Contributions as a percentage of covered payroll	39.57%	39.68%	39.78%	39.87%	38.31%	38.61%	40.00%	40.00%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information**  
**Highway Patrol Officers' Retirement System**  
**For the Year Ended June 30, 2022**

**Method and assumptions used in calculations of contractually determined contributions:** The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.23%

**Changes of assumptions:** The discount rate was increased from 4.43% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained at 2.40%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Game Wardens' and Peace Officers' Retirement System  
Schedule of Changes in Net Pension Liability and Related Ratios <sup>1</sup>  
For the Fiscal Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability (TPL)</b>								
Service costs	\$ 12,315	\$ 8,029	\$ 8,004	\$ 8,098	\$ 8,623	\$ 8,403	\$ 8,008	\$ 7,850
Interest	19,379	18,535	17,618	16,018	14,269	12,911	12,398	11,258
Difference between expected and actual experience	4,927	(2,027)	(4,728)	4,781	3,743	2,705	731	—
Changes of assumptions	(68,688)	85,967	—	—	5,878	—	—	—
Benefit payments	(9,283)	(8,247)	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Refunds of contributions	(870)	(1,200)	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Net change in total pension liability	(42,220)	101,057	12,543	21,269	25,667	17,885	15,785	13,879
Total pension liability – beginning	348,070	247,013	234,470	213,201	187,534	169,649	153,864	139,985
Total pension liability – ending	\$ 305,850	\$ 348,070	\$ 247,013	\$ 234,470	\$ 213,201	\$ 187,534	\$ 169,649	\$ 153,864
<b>Plan Fiduciary Net Position</b>								
Contributions - employer	\$ 5,411	\$ 4,868	\$ 4,686	\$ 4,613	\$ 4,464	\$ 4,278	\$ 4,088	\$ 3,762
Contributions - member	6,393	5,803	5,566	5,512	5,278	5,036	4,924	4,462
Net investment income	59,128	5,583	11,125	15,573	18,590	3,167	6,435	20,069
Benefit payments	(9,283)	(8,247)	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Administrative expense	(234)	(241)	(202)	(369)	(329)	(269)	(200)	(162)
Refunds of contributions	(870)	(1,200)	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Other	(63)	(4)	1	(19)	(1)	(31)	—	—
Net change in plan fiduciary net position	60,482	6,562	12,825	17,682	21,156	6,047	9,895	22,902
Plan fiduciary net position – beginning	212,910	206,348	193,523	175,841	154,685	148,638	138,743	115,841
Plan fiduciary net position – ending	\$ 273,392	\$ 212,910	\$ 206,348	\$ 193,523	\$ 175,841	\$ 154,685	\$ 148,638	\$ 138,743
<b>Net Pension Liability – Beginning</b>	\$ 135,160	\$ 40,665	\$ 40,947	\$ 37,360	\$ 32,849	\$ 21,011	\$ 15,121	\$ 24,144
<b>Net Pension Liability – Ending</b>	\$ 32,458	\$ 135,160	\$ 40,665	\$ 40,947	\$ 37,360	\$ 32,849	\$ 21,011	\$ 15,121
Plan fiduciary net position as a percentage of TPL	89.39%	61.17%	83.54%	82.54%	82.48%	82.48%	87.00%	90.00%
Covered payroll	\$ 54,287	\$ 53,825	\$ 51,677	\$ 50,823	\$ 49,381	\$ 47,108	\$ 44,885	\$ 41,637
Net pension liability as a percentage of covered payroll	59.79%	251.11%	78.69%	80.57%	75.66%	69.73%	47.00%	36.00%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Schedule of Employer Contributions <sup>1</sup>**  
**For the Fiscal Year Ended June 30**  
*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 4,878	\$ 5,394	\$ 4,837	\$ 4,644	\$ 4,574	\$ 4,447	\$ 4,240	\$ 4,040
Contributions in relation to the contractually required contributions	4,878	5,394	4,837	4,644	4,574	4,447	4,240	4,040
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 54,287	\$ 60,023	\$ 53,825	\$ 51,677	\$ 50,823	\$ 49,381	\$ 47,108	\$ 44,885
Contributions as a percentage of covered payroll	8.99%	8.99%	8.99%	8.99%	9.00%	9.01%	9.00%	9.00%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information**  
**Game Wardens' and Peace Officers' Retirement System**  
**For the Year Ended June 30, 2022**

**Method and assumptions used in calculations of contractually determined contributions:** The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.17%

**Changes of assumptions:** The discount rate was increased from 5.65% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained at 2.40%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Public Employees' Retirement System-Defined Benefit Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30  
(dollars in thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	50.562289%	48.997235%	39.140686%	39.546272%	53.049189%	53.241100%	53.611080%	53.223780%
Employer's proportionate share of the net pension liability	\$ 916,807	\$ 1,292,651	\$ 818,162	\$ 825,387	\$ 1,033,200	\$ 906,880	\$ 749,414	\$ 663,174
Employer's covered payroll	\$ 715,975	\$ 654,193	\$ 638,674	\$ 640,177	\$ 648,671	\$ 621,755	\$ 620,286	\$ 597,083
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	128.05%	197.59%	128.10%	128.93%	159.28%	145.86%	120.82%	111.07%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	74.00%	75.00%	78.00%	80.00%

**Schedule of Employer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30  
(dollars in thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 77,020	\$ 78,878	\$ 58,504	\$ 56,183	\$ 54,844	\$ 56,256	\$ 59,073	\$ 58,575
Contributions in relation to the contractually required contributions	\$ 77,020	78,878	58,504	56,183	54,844	56,256	59,073	58,575
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 680,543	\$ 715,875	\$ 654,193	\$ 638,674	\$ 640,177	\$ 648,671	\$ 621,755	\$ 620,286
Contributions as a percentage of covered payroll	11.32%	11.02%	8.94%	8.80%	8.57%	8.67%	9.50%	9.44%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2022**

**Method and assumptions used in calculations of contractually determined contributions:** The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 4.80%
Total salary increases	3.50% to 8.47%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.28%

**Changes of assumptions:** The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information  
State of Montana as a Nonemployer Entity**

**Public Employees' Retirement System-Defined Benefit Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	13.174701%	14.215404%	24.411533%	24.917247%	1.007464%	0.956169%	0.956090%	0.961287%
Nonemployer's proportionate share of the net pension liability	\$ 238,887	\$ 375,032	\$ 510,277	\$ 520,058	\$ 19,622	\$ 16,287	\$ 13,365	\$ 11,978
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	74.00%	75.00%	78.00%	80.00%

**Schedule of Nonemployer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 20,904	\$ 21,180	\$ 35,008	\$ 34,642	\$ 34,706	\$ 28,763	\$ 30,800	\$ 32,397
Contributions in relation to the contractually required contributions	20,904	21,180	35,008	34,642	34,706	28,763	30,800	32,397
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2022**

**Method and assumptions used in calculations of contractually determined contributions:** The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

**Special Funding**

The State contributes 0.1% of member compensation on behalf of local government entities per Section 19-3-319, MCA.

The State contributes 0.37% of member compensation on behalf of school district entities per Section 19-3-319, MCA.

The State contributes a statutory appropriation from General Fund per Section 19-3-320, MCA.

**Changes of assumptions:** The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Sheriffs' Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	5.092398%	4.758893%	4.876949%	4.872800%	4.856692%	5.454386%	5.637055%	5.535000%
Employer's proportionate share of the net pension liability	\$ 3,709	\$ 5,800	\$ 4,067	\$ 3,663	\$ 3,696	\$ 9,582	\$ 5,434	\$ 2,304
Employer's covered payroll	\$ 4,628	\$ 4,041	\$ 3,915	\$ 3,781	\$ 3,634	\$ 3,850	\$ 3,836	\$ 3,580
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	80.14%	143.53%	103.88%	96.88%	101.71%	248.88%	141.66%	64.36%
Plan fiduciary net position as a percentage of the total pension liability	86.94%	75.92%	81.89%	82.68%	81.00%	63.00%	75.00%	87.00%

**Schedule of Employer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 616	\$ 607	\$ 530	\$ 513	\$ 496	\$ 368	\$ 389	\$ 388
Contributions in relation to the contractually required contributions	616	607	530	513	496	368	389	388
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 4,695	\$ 4,628	\$ 4,041	\$ 3,915	\$ 3,781	\$ 3,634	\$ 3,850	\$ 3,836
Contributions as a percentage of covered payroll	13.12%	13.12%	13.12%	13.10%	13.12%	10.13%	10.10%	10.11%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year ended June 30, 2022**

**Method and assumptions used in calculations of contractually determined contributions:** The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020. The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage Inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, set back 1 year for males
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.17%

**Changes of assumptions:** The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.



**Required Supplementary Information  
State of Montana as a Nonemployer Contributing Entity**

**Municipal Peace Officers' Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30  
(dollars in thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.024527%	66.853347%	67.063878%	67.124706%	67.085433%	66.499650%	66.954111%	66.888728%
Nonemployer's proportionate share of the net pension liability	\$ 121,842	\$ 163,514	\$ 133,487	\$ 114,956	\$ 119,354	\$ 119,708	\$ 110,756	\$ 105,106
Plan fiduciary net position as a percentage of the total pension liability	75.76%	64.84%	68.84%	70.95%	68.00%	66.00%	67.00%	67.00%

**Schedule of Nonemployer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30  
(dollars in thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 18,012	\$ 17,395	\$ 16,677	\$ 15,941	\$ 15,283	\$ 13,215	\$ 13,752	\$ 13,433
Contributions in relation to the contractually required contributions	18,012	17,395	16,677	15,941	15,283	13,215	13,752	13,433
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2022**

**Method and assumptions used in calculations of contractually determined contributions:** The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

The State contributes 29.37% of member compensation on behalf of all employer entities per Section 19-9-702, MCA.

**Changes of assumptions:** The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Firefighters' Unified Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.513625%	2.378643%	2.013129%	2.300917%	2.233929%	2.261523%	2.399255%	1.850026%
Employer's proportionate share of the net pension liability	\$ 2,151	\$ 3,722	\$ 2,309	\$ 2,650	\$ 2,525	\$ 2,583	\$ 2,454	\$ 1,806
Employer's covered payroll	\$ 1,415	\$ 1,276	\$ 1,051	\$ 1,103	\$ 1,022	\$ 974	\$ 986	\$ 735
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	152.01%	291.69%	219.70%	240.25%	247.06%	265.20%	249.00%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	87.72%	75.34%	80.08%	79.03%	78.00%	75.00%	77.00%	77.00%

**Schedule of Employer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 717	\$ 665	\$ 599	\$ 494	\$ 518	\$ 472	\$ 475	\$ 142
Contributions in relation to the contractually required contributions	717	665	599	494	518	472	475	142
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 1,527	\$ 1,415	\$ 1,276	\$ 1,051	\$ 1,103	\$ 1,022	\$ 974	\$ 986
Contributions as a percentage of covered payroll	46.95%	47.00%	46.94%	47.00%	46.96%	46.18%	49.00%	14.40%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2022**

**Method and assumptions used in calculations of contractually determined contributions:** The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020. The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin as a % of payroll	0.17%

**Changes of assumptions:** The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information  
State of Montana as a Nonemployer Contributing Entity**

**Firefighters' Unified Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.671029%	67.656380%	69.323577%	67.972164%	67.876338%	67.809541%	67.358196%	68.005182%
Nonemployer's proportionate share of the net pension liability	\$ 57,910	\$ 105,867	\$ 79,524	\$ 78,285	\$ 76,724	\$ 77,448	\$ 68,892	\$ 66,384
Plan fiduciary net position as a percentage of the total pension liability	87.72%	75.34%	80.08%	79.03%	78.00%	75.00%	77.00%	77.00%

**Schedule of Nonemployer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 18,871	\$ 17,897	\$ 17,147	\$ 16,209	\$ 15,272	\$ 14,042	\$ 13,635	\$ 13,573
Contributions in relation to the contractually required contributions	18,871	17,897	17,147	16,209	15,272	14,042	13,635	13,573
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2022**

**Method and assumptions used in calculations of statutorily determined contributions:** The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

The State contributes 32.61% of member compensation on behalf of all employer entities per Section 19-13-604, MCA.

**Changes of assumptions:** The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information  
State of Montana as a Nonemployer Contributing Entity**

**Volunteer Firefighters' Compensation Act  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	100%	100%	100%	100%	100%	100%	100%	100%
Nonemployer's proportionate share of the net pension liability	\$ 1,323	\$ 9,106	\$ 6,907	\$ 7,667	\$ 10,087	\$ 10,599	\$ 10,504	\$ 5,089
Plan fiduciary net position as a percentage of the total pension liability	97.40%	81.42%	85.23%	83.48%	78.00%	76.00%	76.00%	87.00%

**Schedule of Nonemployer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30**

*(dollars in thousands)*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 2,840	\$ 2,578	\$ 2,475	\$ 2,361	\$ 2,207	\$ 2,054	\$ 2,024	\$ 1,913
Contributions in relation to the contractually required contributions	2,840	2,578	2,475	2,361	2,207	2,054	2,024	1,913
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2022**

**Method and assumptions used in calculations of actuarially determined contributions:** The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

The State contributes 5% of certain fire tax insurance premiums paid per Section 19-17-301, MCA.

**Changes of assumptions:** The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information  
State of Montana as an Employer Entity**

**Teachers' Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30  
(dollars in thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.165630%	2.303331%	2.411113%	2.554088%	2.860298%	3.121008%	3.422388%	4.689747%
Employer's proportionate share of the net pension liability	\$ 35,874	\$ 51,812	\$ 46,493	\$ 47,407	\$ 48,227	\$ 57,016	\$ 56,230	\$ 72,168
Employer's covered payroll	\$ 21,776	\$ 22,384	\$ 23,250	\$ 24,275	\$ 26,944	\$ 28,915	\$ 31,252	\$ 32,937
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	164.74%	231.47%	199.97%	195.29%	178.99%	197.18%	179.00%	219.00%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	64.95%	68.64%	69.09%	70.00%	67.00%	69.00%	70.00%

**Schedule of Employer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30  
(dollars in thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 16,216	\$ 16,103	\$ 16,686	\$ 16,538	\$ 17,298	\$ 17,396	\$ 16,946	\$ 16,234
Contributions in relation to the contractually required contributions	16,216	16,103	16,686	16,538	17,298	17,396	16,946	16,234
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 20,293	\$ 21,776	\$ 22,384	\$ 23,250	\$ 24,275	\$ 26,944	\$ 28,915	\$ 31,252
Contributions as a percentage of covered payroll	79.91%	73.95%	74.54%	71.13%	71.26%	64.56%	58.00%	52.00%

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2022**

**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2021, determined as of June 30, 2021. The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.25%
Merit increase	0 to 4.51% for non-university members and 1.00% for university members
Total salary increases	3.25% to 7.76% for non-university members and 4.25% for university members, including inflation
Inflation	2.50%
Investment rate of return	7.50%, net of pension plan investment expense, and including inflation
Mortality (healthy)	RP-2000 Healthy Combined mortality table projected to 2022 adjusted for partial credibility setback for 2 years
Mortality (disabled)	RP-2000 Disabled mortality table for males set back 3 years, for females set forward 2 years
Admin as a % of payroll	0.46%

**Changes of assumptions:** The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information  
State of Montana as a Nonemployer Contributing Entity**

**Teachers' Retirement System  
Schedule of Proportionate Share of the Net Pension Liability <sup>1</sup>  
For the Year Ended June 30  
(dollars in thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	35.761137%	36.554642%	37.112880%	37.735743%	38.133267%	38.729473%	39.384625%	38.777294%
Nonemployer's proportionate share of the net pension liability	\$ 592,396	\$ 822,282	\$ 715,637	\$ 700,417	\$ 642,958	\$ 707,527	\$ 647,092	\$ 596,724
Plan fiduciary net position as a percentage of the total pension liability	75.54%	64.95%	68.64%	69.09%	70.00%	67.00%	69.00%	70.00%

**Schedule of Nonemployer Contributions <sup>1</sup>  
For the Fiscal Year Ended June 30  
(dollars in thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 47,680	\$ 46,701	\$ 44,841	\$ 44,333	\$ 43,718	\$ 43,028	\$ 42,400	\$ 42,806
Contributions in relation to the contractually required contributions	47,680	46,701	44,841	44,333	43,718	43,028	42,400	42,806
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

<sup>1</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2022**

**Method and assumptions used in calculations of contractually determined contributions:** The contractually required contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2021, are as follows:

The State contributes 0.11% of the compensation of members participating per Section 19-20-604, MCA.

The State contributes 2.38% of member compensation on behalf of school district and community college entities per Section 19-20-607, MCA.

The State contributes a \$25.0 million payment from the General Fund per Section 19-20-607, MCA.

**Changes of assumptions:** The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.



## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI – 3. OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION (OPEB)

The State of Montana and MUS OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of the Total OPEB Liability in the related financial statements and note disclosures.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for the State of Montana OPEB plan.

#### Total OPEB Liability and Related Ratios

Last 10 Fiscal Years <sup>(1)</sup>

(in thousands)

Total OPEB Liability	2022	2021	2020	2019	2018
Service cost	\$ 8,726	\$ 1,734	\$ 1,946	\$ 2,062	\$ 1,889
Interest	3,513	1,333	1,586	1,990	2,014
Difference between expected and actual experience	—	(6,137)	(9,409)	—	(4,723)
Changes of assumptions or other inputs	(38,710)	104,439	(1,877)	2,895	(295)
Benefit payments	2,592	(1,196)	(601)	(1,709)	1,705
Net change in Total OPEB Liability	(23,879)	100,173	(8,355)	5,238	590
Total OPEB Liability - Beginning	147,515	47,342	55,697	50,459	49,869
Total OPEB Liability - Ending	\$ 123,636	\$ 147,515	\$ 47,342	\$ 55,697	\$ 50,459
State and discretely presented component units' proportion of the collective Total OPEB Liability	100 %	100 %	100 %	100 %	100 %
Covered employee payroll	\$ 707,118	\$ 689,871	\$ 690,563	\$ 702,688	\$ 675,661
Total OPEB Liability as a percentage of covered employee payroll	17.48 %	21.38 %	6.86 %	7.93 %	7.47%

<sup>(1)</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Note to Schedule:** No assets are accumulated in a trust that meets the criteria of GASB 75.

**Factors that significantly affect trends in the amounts reported:**

*Changes in Actuarial Assumptions and Methods*

*June 30, 2022:* Changes in assumptions for 2022 were due to an increase in the discount rate from 2.23% to 3.31%.

*June 30, 2021:* Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%.

*June 30, 2020:* Changes in actuarial assumptions include a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020, municipal bond rate sources.

*June 30, 2019:* Changes in actuarial assumptions include interest rate based upon March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

*June 30, 2018:* Changes in actuarial methods include adjustments to the amortization period and actuarial cost method to conform with GASB 75 requirements. Changes in actuarial assumptions include revised rates per the retirement system pension valuations as of July 1, 2017, and interest rate based upon the March 31, 2018, 20-year municipal bond index per GASB 75 requirements. Other changes include revised rates based on actual data and projected trend and updated projected healthcare trend rates to follow the Getzen model.

*Changes in Benefit Terms*

*June 30, 2022:* None

*June 30, 2021:* None

*June 30, 2020:* None

*June 30, 2019:* None

*June 30, 2018:* Medical plans moved from Cigna to Allegiance as of January 1, 2016, the State implemented reference-based pricing hospital contracts effective July 1, 2016, and pharmacy moved from URx to Navitus as of January 1, 2017. The State implemented an Employer Group Waiver Program for Medicare retirees effective January 1, 2017.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for MUS plan.

**Total OPEB Liability and Related Ratios**  
**Last 10 Fiscal Years <sup>(1)</sup>**  
**(in thousands)**

<b>Total OPEB Liability</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service cost	\$ 3,684	\$ 1,412	\$ 1,736	\$ 1,952	\$ 1,954
Interest	1,387	777	1,130	1,495	1,410
Difference between expected and actual experience	—	(17,388)	(15,015)	—	(1,323)
Changes of assumptions or other inputs	(17,283)	45,674	(1,791)	1,351	(182)
Benefit payments	2,476	(13)	1,441	(888)	(679)
Net change in Total OPEB Liability	(9,736)	30,462	(12,499)	3,910	1,180
Total OPEB Liability - Beginning	57,311	26,849	39,348	35,438	34,258
Total OPEB Liability - Ending	\$ 47,575	\$ 57,311	\$ 26,849	\$ 39,348	\$ 35,438
State and discretely presented component units' proportion of the collective Total OPEB Liability	95.18 %	95.18 %	94.92 %	95.59 %	95.62 %
Covered employee payroll <sup>(2)</sup>	\$ 425,451	\$ 415,074	\$ 418,193	\$ 451,613	\$ 434,243
Total OPEB Liability as a percentage of covered employee payroll	11.18 %	13.81 %	6.42 %	9.11 %	8.53 %

<sup>(1)</sup> Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

<sup>(2)</sup> Amount reported is for the whole MUS plan for 2018 and 2019. Community Colleges were included due to lack of ability to separate covered employee payroll for those years.

**Note to Schedule:** No assets are accumulated in a trust that meets the criteria of GASB 75.

**Factors that significantly affect trends in the amounts reported:**

*Changes in Actuarial Assumptions and Methods*

*June 30, 2022:* Changes in assumptions for 2022 were due to an increase in the discount rate from 2.23% to 3.31%.

*June 30, 2021:* Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%.

*June 30, 2020:* Changes in actuarial assumptions include a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020, municipal bond rate sources.

*June 30, 2019:* Changes in actuarial assumptions include interest rate based upon March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

*June 30, 2018:* Changes in actuarial methods include adjustments to the amortization period and actuarial cost method to conform with GASB 75 requirements. Changes in actuarial assumptions include revised rates per the retirement system pension valuations as of July 1, 2017, and interest rate based upon the March 31, 2018, 20-year municipal bond index per GASB 75 requirements, lapse rates were removed to reflect a return to standard retiree contribution levels, added employees covered by the MUS-RP, changes in revised rates based on actual data and projected trend and updated projected healthcare trend rates to follow the Getzen model.

*Changes of Benefit Terms*

*June 30, 2022:* None

*June 30, 2021:* Carrier options reduced to one

*June 30, 2020:* Changes in benefit terms include increased annual deductible and out-of-pocket maximums

*June 30, 2019:* None

*June 30, 2018:* Increased deductible, increased out-of-pocket limits for Medica and RX, increased visit copays, pharmacy moved from URx to Navitus as of July 1, 2017, employer group waiver program for Medicare retirees became effective July 1, 2017, adopted combined annual visit max of 30 for multiple therapy services and massage therapy moved into rehabilitation benefit.

## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI – 4. RISK MANAGEMENT TREND INFORMATION

The following tables present risk management trend information for the Hail Insurance Fund and the MUS Group Benefits Fund. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no development cycle. The MUS Group Benefits Fund has a three to five-year development cycle.

The tables illustrate how the earned revenues (net of reinsurance) of the funds and their investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of the fiscal year (in thousands). Section 3 shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 6 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Section 7 compares the latest re-estimated incurred claims amount to the amount originally established (Section 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be revised as data for successive policy years develops.



Montana University System – Medical, Dental, Vision, Rx Claims  
Claims Development Information

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>1. Premiums and investment Revenue</b>	\$ 92,149	\$ 95,150	\$ 98,599	\$ 98,885	\$ 99,369	\$ 100,693	\$ 84,297	\$ 80,764	\$ 79,257	\$ 76,505
<b>2. Unallocated expenses including overhead</b>	\$ 4,526	\$ 4,617	\$ 4,691	\$ 5,150	\$ 5,111	\$ 5,196	\$ 5,129	\$ 5,198	\$ 4,787	\$ 3,938
<b>3. Estimated losses and expenses end of accident year</b>	\$ 105,327	\$ 103,924	\$ 96,326	\$ 93,392	\$ 90,427	\$ 85,802	\$ 87,233	\$ 87,353	\$ 71,877	\$ 69,325
<b>4. Net paid (cumulative) as of:</b>										
End of policy year	\$ 96,927	\$ 93,363	\$ 83,896	\$ 82,211	\$ 80,393	\$ 75,601	\$ 76,400	\$ 79,388	\$ 63,317	\$ 61,964
One year later	—	101,661	93,665	91,306	89,050	84,575	85,796	88,943	69,073	67,988
Two years later	—	—	93,605	91,453	89,140	84,729	85,894	89,261	69,074	68,024
Three years later	—	—	—	91,452	89,161	84,738	86,002	89,264	69,076	68,024
Four years later	—	—	—	—	89,163	84,740	86,038	89,271	69,076	68,024
Five years later	—	—	—	—	—	84,739	86,121	89,283	69,076	68,024
Six years later	—	—	—	—	—	—	86,121	89,283	69,076	68,024
Seven years later	—	—	—	—	—	—	—	89,283	69,076	68,024
Eight years later	—	—	—	—	—	—	—	—	69,076	68,024
Nine years later	—	—	—	—	—	—	—	—	—	68,024
<b>5. Re-estimated ceded losses and expenses</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>6. Re-estimated net incurred losses and expense:</b>										
End of policy year	\$ 105,327	\$ 103,924	\$ 96,326	\$ 93,392	\$ 90,427	\$ 85,802	\$ 87,233	\$ 87,353	\$ 71,877	\$ 69,325
One year later	—	98,293	95,730	93,028	89,036	84,567	86,148	88,824	71,700	68,349
Two years later	—	—	93,605	91,453	89,140	84,729	85,894	89,261	69,074	68,024
Three years later	—	—	—	91,452	89,161	84,738	86,002	89,264	69,076	68,024
Four years later	—	—	—	—	89,163	84,740	86,038	89,271	69,076	68,024
Five years later	—	—	—	—	—	84,739	86,121	89,283	69,076	68,024
Six years later	—	—	—	—	—	—	86,121	89,283	69,076	68,024
Seven years later	—	—	—	—	—	—	—	89,283	69,076	68,024
Eight years later	—	—	—	—	—	—	—	—	69,076	68,024
Nine years later	—	—	—	—	—	—	—	—	—	68,024
<b>7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year</b>	\$ —	\$ (5,631)	\$ (2,721)	\$ (1,940)	\$ (1,263)	\$ (1,063)	\$ (1,112)	\$ 1,931	\$ (2,800)	\$ (1,302)

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

	Provided to Subrecipients	Total Federal Expenditures
<b>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</b>		
94.003 State Commissions	-	\$ 334,097
94.006 AmeriCorps	2,469,780	2,776,937
94.009 Training and Technical Assistance	-	183,975
94.013 Volunteers in Service to America	-	265,652
	<b>Unclustered Total \$ 2,469,780</b>	<b>\$ 3,560,661</b>
<b>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE TOTAL \$ 2,469,780 \$ 3,560,661</b>		

**DEPARTMENT OF AGRICULTURE**

10.001	Agricultural Research Basic and Applied Research eExtension Foundation SA-2021-61	-	\$ 30,405
	Washington State University 134967 SPC001287	-	5,273
10.025	Plant and Animal Disease, Pest Control, and Animal Care	-	9,984
10.069	Conservation Reserve Program	-	1,193,157
10.093	Voluntary Public Access and Habitat Incentive Program	-	1,378
10.156	Federal-State Marketing Improvement Program	-	530,951
10.162	Inspection Grading and Standardization	-	32,200
10.163	Market Protection and Promotion	-	10,314
10.170	Specialty Crop Block Grant Program - Farm Bill	-	97,918
10.175	Farmers Market and Local Food Promotion Program	377,529	2,177,379
	National Center for Appropriate Technology 810361047	-	-
10.200	Grants for Agricultural Research, Special Research Grants	-	19,746
	University of California, Davis A21-3578-S012	-	-
10.210	Higher Education - Graduate Fellowships Grant Program	-	5,400
10.229	COVID-19 Extension Collaborative on Immunization Teaching & Engagement	-	913
	eExtension Foundation EXC1-2021-2051	-	-
		-	20,151

The accompanying notes are an integral part of this schedule.



**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
10.250	-	15,010
10.310	12,374	87,474
10.311	-	36
10.435	-	-
10.475	-	29,570
10.500	82,725	1,054,360
	-	611,303
	-	10,730
	-	9
	-	236
	-	19,852
	-	5,142
	-	127,993
	284,750	368,050
	-	(9,946)
	-	127,541
	-	30,310,983
	-	641,942
	4,877,776	13,420,336
	1,156,863	10,534,554
	-	675,246
	127,984	127,984
	1,776,130	4,120,350
	-	54,530
	-	362,954
	-	69,836
	40,997	122,405

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

	Provided to Subrecipients	Total Federal Expenditures
10.579 Child Nutrition Discretionary Grants Limited Availability	68,638	613,509
10.649 COVID-19 Pandemic EBT Administrative Costs	962	962
10.652 Forestry Research	-	208,541
10.664 Cooperative Forestry Assistance	2,653,123	4,060,817
10.676 Forest Legacy Program	-	10,092,111
10.678 Forest Stewardship Program	-	4,372
10.680 Forest Health Protection	73,856	160,570
National Wilderness Stewardship Alliance W12021	-	14,663
10.684 International Forestry Programs	-	9,862
10.689 Community Forest and Open Space Conservation Program (CFP)	-	26,037
10.691 Good Neighbor Authority	-	741,867
10.697 State & Private Forestry Hazardous Fuel Reduction Program	265,164	270,864
10.698 State & Private Forestry Cooperative Fire Assistance	54,204	82,028
10.699 Partnership Agreements	-	111,695
10.902 Soil and Water Conservation	23,693	263,351
10.903 Soil Survey	-	9,831
10.912 Environmental Quality Incentives Program	-	52,398
10.924 Conservation Stewardship Program	-	89,434
10.931 Agricultural Conservation Easement Program	-	89,434
10.951 Agricultural Statistics	-	49,000
10.UXX Miscellaneous Non-Major Grants	-	39,670
	<b>Unclustered Total \$ 11,876,768</b>	<b>\$ 84,035,356</b>
<b>Child Nutrition Cluster</b>		
10.553 COVID-19 School Breakfast Program	\$ 19,285,554	\$ 19,285,554
10.553 School Breakfast Program	976,127	1,086,424
10.555 COVID-19 National School Lunch Program	67,832,423	67,910,738
10.555 National School Lunch Program	2,020,711	2,370,668

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients		Total Federal Expenditures
10.556	Special Milk Program for Children	5,187		5,187
10.559	Summer Food Service Program for Children	6,668,139		6,903,738
10.582	Fresh Fruit and Vegetable Program	1,394,438		1,452,634
	<b>Child Nutrition Cluster Total</b>	<b>\$ 98,182,579</b>		<b>\$ 99,014,943</b>
<b>Food Distribution Cluster</b>				
10.565	Commodity Supplemental Food Program	110,093	\$	1,899,545
10.568	COVID-19 Emergency Food Assistance Program (Administrative Costs)	-		53,578
10.568	Emergency Food Assistance Program (Administrative Costs)	461,504		564,325
10.569	Emergency Food Assistance Program (Food Commodities)	-		3,724,690
	<b>Food Distribution Cluster Total</b>	<b>\$ 571,597</b>		<b>\$ 6,242,138</b>
<b>Forest Service Schools and Roads Cluster</b>				
10.665	Schools and Roads - Grants to States	14,382,681	\$	14,382,681
	<b>Forest Service Schools and Roads Cluster Total</b>	<b>\$ 14,382,681</b>		<b>\$ 14,382,681</b>
<b>SNAP Cluster</b>				
10.551	Supplemental Nutrition Assistance Program	-	\$	182,253,856
10.561	COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	20,113		944,995
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	229,798		15,538,150
	<b>SNAP Cluster Total</b>	<b>\$ 249,911</b>		<b>\$ 198,737,001</b>
	<b>DEPARTMENT OF AGRICULTURE TOTAL</b>	<b>\$ 125,263,536</b>		<b>\$ 402,412,119</b>
<b>DEPARTMENT OF COMMERCE</b>				
11.008	NOAA Mission-Related Education Awards	-	\$	28,821
11.303	Economic Development Technical Assistance	-		209,300
11.550	Public Telecommunications Facilities Planning and Construction Corporation for Public Broadcasting 1492	-		-
		-		190,366

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

		Provided to Subrecipients	Total Federal Expenditures
11.611	Manufacturing Extension Partnership	20,210	822,188
	Hawaii Technology Development	-	15,222
	Missouri Enterprise	-	9,998
	Oregon Manufacturing Extension	-	25,191
		<b>Unclustered Total \$ 20,210</b>	<b>\$ 1,301,086</b>
	<b><i>Economic Development Cluster</i></b>		
11.307	COVID-19 Economic Adjustment Assistance	-	61,520
11.307	Economic Adjustment Assistance		225,648
	Revolving Loan Funds Award 05-19-02445		324,245
	Revolving Loan Funds Award 05-79-73005		3,166,213
		<b>Economic Development Cluster Total \$ -</b>	<b>\$ 3,777,626</b>
		<b>DEPARTMENT OF COMMERCE TOTAL \$ 20,210</b>	<b>\$ 5,078,712</b>
	<b>DEPARTMENT OF DEFENSE</b>		
12.002	Procurement Technical Assistance For Business Firms	-	-
	Big Sky Economic Development Corporation SP4800-20-2-2022	-	7,815
	Big Sky Economic Development Corporation SP4800-21-2-2122	-	80,214
12.005	Conservation and Rehabilitation of Natural Resources on Military Installations	-	838,825
12.110	Planning Assistance to States	-	359,861
12.112	Payments to States in Lieu of Real Estate Taxes	-	17,961
12.357	ROTC Language and Culture Training Grants	-	-
	Institute of International Education PGO1801-UMT-16-PGO-051-PO6	-	72,208
	Institute of International Education PGO1801-UMT-16-LTC-052-PO9	-	589,665
	Institute of International Education PGO1801-UMT-16-PGO-051-PO8	-	613,249
12.400	Military Construction, National Guard	-	147,138
12.401	National Guard Military Operations and Maintenance (O&M) Projects	-	26,461,485
12.404	National Guard Challenge Program	-	5,007,749

**The accompanying notes are an integral part of this schedule.**

**State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2022**

	Provided to Subrecipients	Total Federal Expenditures
12.579	-	-
Language Training Center		
Institute of International Education		16,198
PG1801-UMT-16-LTC-052-PO5		
Institute of International Education		7,564,706
PGO1801-UMT-16-LTC-052-P07		
Institute of International Education		(1,814)
PGO1801-UMT-16-LTC-052-PO3		
12.630	-	-
Basic, Applied, and Advanced Research in Science and Engineering		
National Science Teachers Association		46,258
#22-871-010		
Technology Student Association		34,650
12.800	-	-
Air Force Defense Research Sciences Program		67,874
12.903	-	-
GenCyber Grants Program		33,454
12.UXX	-	-
Miscellaneous Non-Major Grants		382,329
Multilingual Solutions, Inc.		
4014-002, PO#2022-GS-007		17,908
Multilingual Solutions, Inc.		3,922
4014-003, PO#2022-GS-011		
Pacific States Marine Fisheries Commission		1,337,047
21-129P		
Pacific States Marine Fisheries Commission		264,571
21-179P		
Pacific States Marine Fisheries Commission		15,318
22-019P		
Pacific States Marine Fisheries Commission		378
22-155P		
Pacific States Marine Fisheries Commission		260
22-162P		
Pacific States Marine Fisheries Commission		133,678
22-171P		
<b><i>Unclustered Total</i></b>		<b><i>\$ 44,112,907</i></b>

**DEPARTMENT OF DEFENSE TOTAL**    \$    -    \$    **44,112,907**

**DEPARTMENT OF EDUCATION**

84.002	Adult Education - Basic Grants to States	\$ 1,029,395	\$ 1,355,435
84.010	Title I Grants to Local Educational Agencies	50,497,435	52,188,498
84.011	Migrant Education State Grant Program	1,083,330	1,262,758
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	-	283,811
84.016	Undergraduate International Studies and Foreign Language Programs	6,908	62,393

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
84.031 Higher Education Institutional Aid	-	767,258
84.048 Career and Technical Education -- Basic Grants to States	4,051,261	6,292,475
84.126 Rehabilitation Services Vocational Rehabilitation Grants to States	-	8,884,724
84.144 Migrant Education Coordination Program	59,242	59,242
84.177 Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	188,057
84.181 COVID-19 Special Education-Grants for Infants and Families	-	1,193
84.181 Special Education-Grants for Infants and Families	-	2,074,083
84.184 School Safety National Activities	-	571,163
84.187 Supported Employment Services for Individuals with the Most Significant Disabilities	-	328,674
84.196 Education for Homeless Children and Youth	239,043	272,781
84.287 Twenty-First Century Community Learning Centers	6,064,284	6,427,249
84.299 Indian Education -- Special Programs for Indian Children	-	-
Aaniih Nakoda College S299B180009	-	31,047
Blackfeet Community College PBTP#387	-	156,283
Blackfeet Community College TCTC#2-3861-5104	-	82,892
Blackfeet Community College TCTC#2-386-1-5107	-	12,850
Fort Peck Community College ED-GRANTS-061418-001	-	1
Little Big Horn College S299B210024	-	250,933
84.305 Education Research, Development and Dissemination	-	124,523
84.323 Special Education - State Personnel Development	231,444	619,163
84.325 Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	-	97,078
84.326 Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	-	130,229
Helen Keller National Center 2021-116	-	19,716
84.326T State Technical Assistance Projects to Improve Services and Results for Children Who Are Deaf-Blind, and National Technical Assistance and Dissemination Center for Children Who Are Deaf-Blind.	-	-
Helen Keller National Center	-	55,523

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

		Provided to Subrecipients	Total Federal Expenditures
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	1,789,027	4,964,634
84.335	Child Care Access Means Parents in School	-	19,035
84.358	Rural Education	826,217	865,481
84.365	English Language Acquisition State Grants	428,902	612,505
84.367	Supporting Effective Instruction State Grants	10,225,644	10,670,060
	National Writing Project #09-MT02-2019SEED-CJ	-	10,000
84.369	Grants for State Assessments and Related Activities	-	3,299,444
84.371	Comprehensive Literacy Development	16,771,710	17,552,172
84.372	Statewide Longitudinal Data Systems	-	668,601
84.377	School Improvement Grants	-	160,648
84.411	Education Innovation and Research (formerly Investing in Innovation (i3) Fund)	-	-
	North American Native Research and Education Foundation, Inc. 1001R	-	353,447
84.424	Student Support and Academic Enrichment Program	5,608,709	5,815,516
84.426	Randolph-Sheppard - Financial Relief and Restoration Payments	33,994	33,994
84.998	American Printing House for the Blind	-	5,218
84.UXX	Miscellaneous Non-Major Grants	-	94,813
	<b>Unclustered Total</b>	<b>\$ 98,946,545</b>	<b>\$ 127,725,600</b>
<b>Education Stabilization Fund</b>			
84.425C	COVID-19 Governor's Emergency Education Relief (GEER) Fund	1,242,757	1,447,181
84.425D	COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	79,114,694	80,896,585
84.425E	COVID-19 Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	-	36,449,555
84.425F	COVID-19 HEERF Institutional Aid Portion	-	21,097,279
84.425M	COVID-19 HEERF Strengthening Institutions Program (SIP)	-	1,718,404
84.425R	COVID-19 Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS) program	1,002,569	1,904,618
84.425U	COVID-19 American Rescue Plan -Elementary and Secondary School Emergency Relief (ARP ESSER)	48,473,660	48,506,402
84.425W	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	210,638	236,982
	<b>Education Stabilization Fund Total</b>	<b>\$ 130,044,318</b>	<b>\$ 192,257,006</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

	Provided to Subrecipients	Total Federal Expenditures
<b>Special Education Cluster (IDEA)</b>		
84.027 Special Education Grants to States	\$ 36,068,457	\$ 39,408,865
84.027X Special Education Grants to States	2,276,669	2,278,243
84.173 Special Education Preschool Grants	1,159,390	1,162,395
84.173X Special Education Preschool Grants	153,017	153,174
	<b>\$ 39,657,533</b>	<b>\$ 43,002,677</b>
<b>Special Education Cluster (IDEA) Total</b>		
	<b>\$ -</b>	<b>\$ -</b>
<b>Student Financial Assistance Cluster</b>		
84.007 Federal Supplemental Educational Opportunity Grants	-	2,099,879
84.033 Federal Work-Study Program	-	1,581,980
84.038 Federal Perkins Loan Program - Federal Capital Contributions	-	19,311,066
84.063 Federal Pell Grant Program	-	35,745,321
84.268 Federal Direct Student Loans	-	144,211,833
	<b>\$ -</b>	<b>\$ 202,950,079</b>
<b>TRIO Cluster</b>		
84.042 TRIO Student Support Services	-	2,389,190
84.044 TRIO Talent Search	17,614	1,463,473
84.047 TRIO Upward Bound	-	1,735,478
84.066 TRIO Educational Opportunity Centers	-	90,189
	<b>\$ 17,614</b>	<b>\$ 5,678,330</b>
<b>TRIO Cluster Total</b>		
	<b>\$ -</b>	<b>\$ -</b>
<b>DEPARTMENT OF EDUCATION TOTAL</b>		
	<b>\$ 268,666,010</b>	<b>\$ 571,613,692</b>
<b>DEPARTMENT OF ENERGY</b>		
81.041 State Energy Program	-	568,150
81.042 Weatherization Assistance for Low-Income Persons	67,563	2,356,632
81.086 Conservation Research and Development	-	-
Utah Clean Cities DE-EE0008893	-	7,536

The accompanying notes are an integral part of this schedule.



**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

		Provided to Subrecipients	Total Federal Expenditures
81.119	State Energy Program Special Projects	-	-
	State of Utah DE-EE0008610	-	6,303
81.138	State Heating Oil and Propane Program	-	9,621
81.UXX	Miscellaneous Non-Major Grants	-	-
	Bonneville Power Administration IAA NO. 87723	-	6,000
	National Fish and Wildlife Foundation 0201.22.073815	-	2,373
	Pacific States Marine Fisheries Commission 21-066G	-	23,666
	Pacific States Marine Fisheries Commission 22-074G	-	91,136
		<b>Unclustered Total \$ 67,563</b>	<b>\$ 3,071,417</b>
		<b>DEPARTMENT OF ENERGY TOTAL \$ 67,563</b>	<b>\$ 3,071,417</b>

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	\$ 8,320	\$ 23,748
93.042	COVID-19 Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	32,652	32,827
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	86,357	110,270
93.043	COVID-19 Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	168,213	168,606
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	117,069	114,003
93.048	COVID-19 Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	-	51,052
93.052	COVID-19 National Family Caregiver Support, Title III, Part E	556,676	563,574
93.052	National Family Caregiver Support, Title III, Part E	830,776	920,168
93.069	Public Health Emergency Preparedness	2,857,269	5,084,289
93.070	Environmental Public Health and Emergency Response	25,000	522,868
93.071	Medicare Enrollment Assistance Program	200,465	221,991
93.072	Lifespan Respite Care Program	-	272,800

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**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
93.079	-	82,796
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		
93.090	-	178,103
COVID-19 Guardianship Assistance		
93.090	-	3,043,221
Guardianship Assistance		
93.092	147,219	239,947
Affordable Care Act (ACA) Personal Responsibility Education Program		
93.103	-	303,532
Food and Drug Administration Research		
93.104	53,878	660,358
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		
93.107	-	1
COVID-19 Area Health Education Centers		
93.107	51,339	185,056
Area Health Education Centers		
93.110	1,963,258	3,378,972
Maternal and Child Health Federal Consolidated Programs		
	-	36
Family Voices, Inc. 2020-429		
	-	302
Utah State University PO463210-E		
	-	9,000
Utah State University PO497108-E		
93.116	-	216,666
Project Grants and Cooperative Agreements for Tuberculosis Control Programs		
93.127	-	154,025
Emergency Medical Services for Children		
93.130	35,940	163,535
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		
93.136	299,410	2,511,281
Injury Prevention and Control Research and State and Community Based Programs		
93.150	595,019	600,635
Projects for Assistance in Transition from Homelessness (PATH)		
93.155	5,479,029	6,300,883
COVID-19 Rural Health Research Centers		
	-	6,928
National Rural Health Association 2021 SRHA TECHNICAL ASSISTANCE		
	-	5,956
National Rural Health Association 2022 SRHA TECHNICAL ASSISTANCE		
93.165	40,707	40,707
Grants to States for Loan Repayment Program		
93.178	-	554,586
Nursing Workforce Diversity		
93.184	-	392,188
Disabilities Prevention		
	-	7,790
University of Alabama NU27DD0001157		

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
93.185	-	-
Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects		
93.197	-	43,886
Association of University Centers on Disabilities 14-8818-22		
93.217	-	80,404
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children		
93.235	2,014,447	2,613,233
93.236	48,748	139,627
93.240	209,726	380,522
93.241	-	281,891
93.243	706,368	832,100
	3,902,383	7,388,850
Substance Abuse and Mental Health Services Projects of Regional and National Significance		
93.251	-	77,366
City of Mercer Island		
93.262	3,561	132,055
93.268	9,000	219,911
93.268	10,705,835	14,376,816
93.270	226,551	12,627,783
93.301	22,016	243,355
93.305	239,650	263,615
93.307	295,227	1,496,028
COVID-19 Small Rural Hospital Improvement Grant Program		
93.323	-	9,452,265
93.323	6,597,315	41,459,051
93.324	2,225,119	2,250,346
93.336	412,171	495,113
93.336	-	60,000
93.354	-	419,565
	750,579	1,422,673
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response		

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**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
93.369	298,824	366,307
ACL Independent Living State Grants		
	-	7,865
The Institute for Rehabilitation and Research 2021-YR1-SILC-UMONTANA		
	-	23,031
The Institute for Rehabilitation and Research 2022-YR2-SILC-UMONTANA		
93.387	56,220	-
National and State Tobacco Control Program		
93.391	534,357	9,503,512
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises		
93.421	-	-
COVID-19 Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health		
93.421	-	39,371
Council of State and Territorial Epidemiologists NU380T000297		
93.421	-	-
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health		
	-	47,429
Association of University Centers on Disabilities 22-8814-22		
	-	36,133
Association of University Centers on Disabilities 32-21-8814		
	-	37,798
Association of University Centers on Disabilities 8/21/8815		
93.423	17,723,226	17,723,226
1332 State Innovation Waivers		
93.426	106,500	1,994,439
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke-Financed in part by 2018 Prevention and Public Health Funds		
93.432	-	-
ACL Centers for Independent Living		
	-	31,520
The Institute for Rehabilitation and Research 2021-YR1-CIL-UMONTANA		
	-	90,669
The Institute for Rehabilitation and Research 2022-YR2-CIL-UMONTANA		
93.433	17,097	292,451
ACL National Institute on Disability, Independent Living, and Rehabilitation Research Meeting the Challenge, Inc.		
	-	3,125
	-	5,007
Shepherd Center SHEP-19-0013		
	-	9,210
University of Massachusetts B001177895		
	-	1,679
University of Massachusetts B00125545		
93.435	83,450	1,680,644
Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke-		
93.448	-	112,826
Food Safety and Security Monitoring Project		

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
93.464	-	504,062
93.469	121,220	140,854
93.470	-	232,865
93.471	-	67,637
93.478	-	42,992
93.495	-	-
93.498	-	10,905
93.504	-	554,217
93.516	-	110,495
93.556	554,147	1,250,899
93.558	-	117,487
93.558	1,465,924	15,645,947
93.563	-	11,557,875
93.566	332,853	567,471
93.568	2,365,022	23,425,034
93.568	2,405,709	19,873,486
93.569	-	921,560
93.569	102,682	3,469,399
93.586	6,500	303,139
93.590	-	10,234
93.590	-	2,410
93.597	102,643	149,287
93.599	97,155	98,786
93.599	405,741	405,741
93.599	373,950	376,670

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
93.603	-	564,838
93.630	512,578	512,578
93.632	11,667	39,900
93.636	21,113	274,026
93.639	-	1,961
93.643	-	58,681
93.645	-	108,741
93.645	-	792,942
93.658	-	440,611
93.658	1,301,479	17,350,426
		88,837
		44,318
93.659	-	1,124,832
93.659	-	13,862,361
93.665	761,900	923,965
93.667	711,001	6,685,224
93.669	-	314,104
93.671	149,599	149,599
93.671	848,971	853,068
93.674	875,381	2,757,606
93.732	78,841	1,638,726
93.747	-	421,395
93.747	-	466,614
93.752	66,500	366,901
93.758	172,401	990,472
93.761	-	58,423

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

	Provided to Subrecipients	Total Federal Expenditures
93.767	-	4,975,070
93.767	-	84,462,744
93.788	4,968,546	6,900,434
93.791	-	515,752
93.822	-	508,683
93.870	9,196	50,837
93.870	3,056,975	3,966,572
93.884	-	608,503
93.889	-	225,377
93.889	-	1,089,101
93.898	656,971	2,190,927
93.912	161,921	294,651
93.913	-	46,673
93.917	-	207,339
93.917	9,000	9,788
93.917	606,039	2,245,589
93.940	516,997	1,028,565
93.946	-	140,956
93.958	232,879	239,844
93.958	3,122,543	3,489,453
93.959	621,654	905,461
93.959	3,377,737	8,239,864
93.969	43,072	44,631
93.970	-	405,351
93.977	32,534	257,298
93.977	4,117	331,663
93.982	594,178	682,125

**The accompanying notes are an integral part of this schedule.**

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

	Provided to Subrecipients	Total Federal Expenditures
93.994 Maternal and Child Health Services Block Grant to the States	1,072,307	2,099,737
93.UXX Miscellaneous Non-Major Grants	158,284	184,980
American Association on Health and Disability	-	7,761
	<b>Unclustered Total \$ 93,826,893</b>	<b>\$ 412,987,601</b>
<b>Aging Cluster</b>		
93.044 COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	\$ 2,050,186	\$ 2,051,477
93.044 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	1,432,048	1,765,227
93.045 COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services	3,512,329	3,665,783
93.045 Special Programs for the Aging, Title III, Part C, Nutrition Services	3,420,116	3,930,890
93.053 Nutrition Services Incentive Program	1,091,321	1,320,604
	<b>Aging Cluster Total \$ 11,506,000</b>	<b>\$ 12,733,981</b>
<b>CCDF Cluster</b>		
93.575 COVID-19 Child Care and Development Block Grant	\$ 275,492	\$ 49,386,186
93.575 Child Care and Development Block Grant	23,343,282	24,653,492
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund	588,084	9,699,066
	<b>CCDF Cluster Total \$ 24,206,858</b>	<b>\$ 83,738,744</b>
<b>Head Start Cluster</b>		
93.600 Head Start	\$ -	\$ 116,415
Stone Child College 90YT000038-01-00	-	178,352
	<b>Head Start Cluster Total \$ -</b>	<b>\$ 294,767</b>
<b>Medicaid Cluster</b>		
93.775 State Medicaid Fraud Control Units	\$ -	\$ 647,090
93.777 COVID-19 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	31,634
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	2,919,149
93.778 COVID-19 Medical Assistance Program	-	135,316,979
93.778 Medical Assistance Program	-	1,819,050,250
	<b>Medicaid Cluster Total \$ -</b>	<b>\$ 1,957,965,102</b>

The accompanying notes are an integral part of this schedule.



State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
<b>Student Financial Assistance Cluster</b>			
93.264	Nurse Faculty Loan Program (NFLP)	-	3,331
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	-	319,234
93.364	Nursing Student Loans	-	2,804,851
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	-	397,835
	<b>Student Financial Assistance Cluster Total</b>	<b>-\$</b>	<b>\$ 3,525,251</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL</b>		<b>\$ 129,539,751</b>	<b>\$ 2,471,245,446</b>

<b>DEPARTMENT OF HOMELAND SECURITY</b>			
97.008	Non-Profit Security Program	89,508	89,508
97.012	Boating Safety Financial Assistance	-	498,972
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	-	239,474
97.029	Flood Mitigation Assistance	45,930	45,930
97.036	COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	8,321,168	8,317,929
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	164,580	180,771
97.039	Hazard Mitigation Grant	444,295	709,622
97.041	National Dam Safety Program	-	245,506
97.042	Emergency Management Performance Grants	2,039,997	3,453,684
97.044	Assistance to Firefighters Grant	-	5,483
97.045	Cooperating Technical Partners	-	6,537,001
97.046	Fire Management Assistance Grant	140,515	5,403,167
97.047	Pre-Disaster Mitigation	6,039,144	6,607,587
97.050	COVID-19 Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	-	1,518,568

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
97.067	Homeland Security Grant Program	4,511,142	5,316,922
	Kalispell Sheriff's Office 19-SPWSPW-12-008 VO	-	15,610
97.082	Earthquake Consortium	-	60,443
		<u>\$ 21,796,279</u>	<u>\$ 39,246,177</u>
		<i>Unclustered Total</i>	<i>\$ 39,246,177</i>
		<u>\$ 21,796,279</u>	<u>\$ 39,246,177</u>

**DEPARTMENT OF HOMELAND SECURITY TOTAL \$ 21,796,279 \$ 39,246,177**

**DEPARTMENT OF HOUSING & URBAN DEVELOPMENT**

14.228	COVID-19 Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	\$ 1,250,000	\$ 1,341,254
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	6,967,092	7,167,610
14.231	COVID-19 Emergency Solutions Grant Program	1,552,465	5,109,554
14.231	Emergency Solutions Grant Program	-	107,804
14.239	Home Investment Partnerships Program	4,553,614	4,805,970
14.241	COVID-19 Housing Opportunities for Persons with AIDS	-	117,387
14.241	Housing Opportunities for Persons with AIDS	336,133	1,001,815
14.275	Housing Trust Fund	4,079,854	4,400,889
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	-	185,922

**Unclustered Total \$ 18,739,158 \$ 24,238,205**

**Housing Voucher Cluster**

14.871	COVID-19 Section 8 Housing Choice Vouchers	\$ 121,072	\$ 667,777
14.871	Section 8 Housing Choice Vouchers	-	22,562,622
14.879	Mainstream Vouchers	-	138,468
		<u>\$ 121,072</u>	<u>\$ 23,368,867</u>

**Housing Voucher Cluster Total \$ 121,072 \$ 23,368,867**

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

<i>Section 8 Project-Based Cluster</i>	Provided to Subrecipients	Total Federal Expenditures
14.195 Section 8 Housing Assistance Payments Program	-	\$ 26,619,661
14.856 Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	-	1,515,165
<i>Section 8 Project-Based Cluster Total</i>	<i>-</i>	<i>\$ 28,134,826</i>
<b>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT TOTAL</b>		<b>\$ 75,741,898</b>

<b>DEPARTMENT OF JUSTICE</b>	Provided to Subrecipients	Total Federal Expenditures
16.017 Sexual Assault Services Formula Program	419,551	\$ 452,649
16.034 COVID-19 Coronavirus Emergency Supplemental Funding Program	920,526	995,640
16.528 Enhanced Training and Services to End Violence and Abuse of Women Later in Life	50,865	118,990
16.540 Juvenile Justice and Delinquency Prevention	131,798	193,773
16.543 Missing Children's Assistance	-	263,651
16.548 Title V Delinquency Prevention Program	15,196	25,476
16.550 State Justice Statistics Program for Statistical Analysis Centers	-	4,010
16.554 National Criminal History Improvement Program (NCHIP)	-	265,959
16.571 Public Safety Officers' Benefits Program	-	200
16.575 Crime Victim Assistance	5,901,124	6,419,934
16.576 Crime Victim Compensation	-	183,457
16.582 Crime Victim Assistance/Discretionary Grants	-	332,373
16.585 Drug Court Discretionary Grant Program	-	841,555
Tribal Law and Policy Institute	-	219,139
16.588 Violence Against Women Formula Grants	737,861	809,210
16.589 Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	-	-
County of Missoula 2015-WR-AX-0013	-	2,282
16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	41,922	59,526
16.593 Residential Substance Abuse Treatment for State Prisoners	15,815	30,536
16.606 State Criminal Alien Assistance Program	-	28,863
16.609 Project Safe Neighborhoods	43,470	48,458

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

		<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
16.710	Public Safety Partnership and Community Policing Grants	-	280,197
16.726	Juvenile Mentoring Program	-	-
	National 4-H Council 4H NMP-10: 2019-MU-FX-0002	-	1,737
	National 4-H Council 4H NMP-11: 2020-JU-FX-0031	-	43,512
16.738	Edward Byrne Memorial Justice Assistance Grant Program	571,728	815,485
16.741	DNA Backlog Reduction Program	-	436,883
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	-	207,924
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	25,250	25,250
16.750	Support for Adam Walsh Act Implementation Grant Program	-	69,383
16.758	Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	-	170,963
16.816	John R. Justice Prosecutors and Defenders Incentive Act	-	16,080
16.831	Children of Incarcerated Parents	-	89,441
16.833	National Sexual Assault Kit Initiative	-	277,170
16.838	Comprehensive Opioid Abuse Site-Based Program	-	4,256
16.839	STOP School Violence	-	300,697
16.922	Equitable Sharing Program	-	101,315
	<b>Unclustered Total</b>	<b>\$ 8,875,106</b>	<b>\$ 14,135,974</b>
	<b>DEPARTMENT OF JUSTICE TOTAL</b>	<b>\$ 8,875,106</b>	<b>\$ 14,135,974</b>

**DEPARTMENT OF LABOR**

17.002	Labor Force Statistics	-	\$ 687,389
17.005	Compensation and Working Conditions	-	100,408
17.225	COVID-19 Unemployment Insurance	-	19,330,551
17.225	Unemployment Insurance	-	44,319,132
17.235	Senior Community Service Employment Program	384,291	404,791
17.245	Trade Adjustment Assistance	-	229,047
17.271	Work Opportunity Tax Credit Program (WOTC)	-	246,234

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

		<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
17.273	Temporary Labor Certification for Foreign Workers	-	345,354
17.277	COVID-19 WIOA National Dislocated Worker Grants / WIA National Emergency Grants	50,000	247,292
17.504	Consultation Agreements	-	541,546
17.600	Mine Health and Safety Grants	-	39,954
	<b>Employment Service Cluster</b>	<b>434,291</b>	<b>\$ 66,491,698</b>
17.207	Employment Service/Wagner-Peyser Funded Activities	-	\$ 5,353,353
17.801	Disabled Veterans' Outreach Program (DVOP)	-	629,594
	<b>Employment Service Cluster Total</b>	<b>-</b>	<b>\$ 5,982,947</b>
	<b>WIOA Cluster</b>		
17.258	WIOA Adult Program	328,031	\$ 2,196,283
17.259	WIOA Youth Activities	1,731,734	2,371,372
17.278	WIOA Dislocated Worker Formula Grants	2,944	1,390,040
	<b>WIOA Cluster Total</b>	<b>2,062,709</b>	<b>\$ 5,957,695</b>
	<b>DEPARTMENT OF STATE</b>	<b>2,497,000</b>	<b>\$ 78,432,340</b>
19.009	Academic Exchange Programs - Undergraduate Programs World Learning CBPSA19-MSUB01	34,066	\$ 553,952
19.010	Academic Exchange Programs - Hubert H. Humphrey Fellowship Program Institute of International Education 3000208789 Institute of International Education 3000255840	-	14,873
19.040	Public Diplomacy Programs	-	99,457
19.401	Academic Exchange Programs - Scholars	305,534	85,236
			173,780
			1,447,446

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

		Provided to Subrecipients	Total Federal Expenditures
19.408	Academic Exchange Programs - Teachers	-	-
	International Research & Exchanges Board FY20-FTEA-MSU-02	-	1,599
	International Research & Exchanges Board FY21-FTEA-MSU-01	-	299,879
19.415	Professional and Cultural Exchange Programs - Citizen Exchanges	-	168,387
	American Councils for International Education S-ECAGD-20-CA-0043	-	165,404
19.600	Bureau of Near Eastern Affairs	-	-
	Georgetown University MSU-20210716	-	134,133
	Georgetown University MSU-20220621	-	25,188
	<b>Unclustered Total</b>	<b>\$ 339,600</b>	<b>\$ 3,169,334</b>
	<b>DEPARTMENT OF STATE TOTAL</b>	<b>\$ 339,600</b>	<b>\$ 3,169,334</b>

**DEPARTMENT OF THE INTERIOR**

15.025	Services to Indian Children, Elderly and Families	\$ -	\$ 2,654
15.034	Agriculture on Indian Lands	-	-
	Fort Belknap Community Council A10AV00583	-	65,240
15.159	Cultural Resources Management	-	2,107
15.224	Cultural and Paleontological Resources Management	-	21,288
15.225	Recreation and Visitor Services	-	38,901
15.228	BLM Wildland Urban Interface Community Fire Assistance	-	5,044
15.231	Fish, Wildlife and Plant Conservation Resource Management	-	76,788
	University of Wyoming BLM WY UW WYNDD SSS Plants and Pollinators RM CESU	-	12,000
15.233	Forests and Woodlands Resource Management	-	103,237
15.236	Environmental Quality and Protection	-	1,746,798
15.247	Wildlife Resource Management	-	51,036
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	-	2,172,562
15.252	Abandoned Mine Land Reclamation (AMLR)	-	1,765,897
15.427	Federal Oil and Gas Royalty Management State and Tribal Coordination	-	494,278
15.514	Reclamation States Emergency Drought Relief	-	30,299

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

		<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
15.517	Fish and Wildlife Coordination Act	-	176,601
15.524	Recreation Resources Management	-	50,638
15.608	Fish and Wildlife Management Assistance	-	102,715
15.634	State Wildlife Grants	(3,218)	532,522
15.637	Migratory Bird Joint Ventures	12,980	20,679
15.657	Endangered Species Conservation - Recovery Implementation Funds	-	517,626
15.660	Endangered Species - Candidate Conservation Action Funds	-	49,514
15.664	Fish and Wildlife Coordination and Assistance	-	9,351
15.670	Adaptive Science	-	44,422
15.684	White-nose Syndrome National Response Implementation	-	49,998
15.904	Historic Preservation Fund Grants-In-Aid	218,615	1,056,830
15.916	Outdoor Recreation Acquisition, Development and Planning	407,173	1,925,517
15.929	Save America's Treasures	-	9,900
15.944	Natural Resource Stewardship	-	5,000
15.945	Cooperative Research and Training Programs - Resources of the National Park System	-	7,484
15.954	National Park Service Conservation, Protection, Outreach, and Education	-	11,065
	National Writing Project 16-MT03-NPS2021	-	4,711
15.959	Education Program Management	-	-
	Kha'p'o Community School A18AV00750	-	127
	Paschal Sherman Indian School	-	12,815
15.UXX	Miscellaneous Non-Major Grants	-	60,241
	Kearnes & West, Inc. 1800-1444-1	-	50,619
	<b>Unclustered Total</b>	<b>\$ 635,550</b>	<b>\$ 11,286,504</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

	Provided to Subrecipients	Total Federal Expenditures
<b><i>Fish and Wildlife Cluster</i></b>		
15.605 Sport Fish Restoration	-	\$ 8,319,704
15.611 Wildlife Restoration and Basic Hunter Education	283,565	19,286,962
15.626 Enhanced Hunter Education and Safety	-	7,853
	<b>\$ 283,565</b>	<b>\$ 27,614,519</b>
<b><i>Fish and Wildlife Cluster Total</i></b>		
	<b>\$ 919,115</b>	<b>\$ 38,901,023</b>
<b>DEPARTMENT OF THE INTERIOR TOTAL</b>		
<b>DEPARTMENT OF THE TREASURY</b>		
21.019 COVID-19 Coronavirus Relief Fund	(8,306,437)	\$ 11,398,227
Corporation for Public Broadcasting 115236	-	24,740
21.023 COVID-19 Emergency Rental Assistance Program	(8,915,444)	60,256,168
21.026 COVID-19 Homeowner Assistance Fund	-	546,772
21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds	25,590,480	37,119,791
City-County of Butte-Silver Bow 2022-187	-	18,250
Gallatin County	-	122,779
	<b>\$ 8,368,599</b>	<b>\$ 109,486,727</b>
<b>Unclustered Total</b>		
	<b>\$ 8,368,599</b>	<b>\$ 109,486,727</b>
<b>DEPARTMENT OF THE TREASURY TOTAL</b>		
<b>DEPARTMENT OF TRANSPORTATION</b>		
20.106 COVID-19 Airport Improvement Program	-	\$ 491,407
20.106 Airport Improvement Program	-	357,379
20.215 Highway Training and Education	-	150,000
20.232 Commercial Driver's License Program Implementation Grant	-	24,899
20.505 Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	569,970	569,970
20.509 COVID-19 Formula Grants for Rural Areas	2,287,547	2,600,035
20.509 Formula Grants for Rural Areas	11,278,082	11,736,348
20.608 Minimum Penalties for Repeat Offenders for Driving While Intoxicated	55,264	878,011

**The accompanying notes are an integral part of this schedule.**



**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

		<u>Provided to</u>	<u>Total Federal</u>
		<u>Subrecipients</u>	<u>Expenditures</u>
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	-	67,263
20.700	Pipeline Safety Program State Base Grant	-	173,356
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	139,192	150,107
20.725	PHMSA Pipeline Safety Underground Natural Gas Storage Grant	-	8,865
20.933	National Infrastructure Investments	-	-
	City of Kalispell UPN#2038/032 - 022NH15(32)	-	8,041,568
	<b>Unclustered Total</b>	<b>\$ 14,330,055</b>	<b>\$ 25,249,208</b>
<b>Federal Transit Cluster</b>			
20.526	COVID-19 Bus and Bus Facilities Formula Program	835,352	835,352
20.526	Bus and Bus Facilities Formula Program	1,587,679	1,587,679
	Missoula Urban Transportation CAPITAL CONTRACT #2101	-	1,416,250
	<b>Federal Transit Cluster Total</b>	<b>\$ 2,423,031</b>	<b>\$ 3,839,281</b>
<b>FMCSA Cluster</b>			
20.218	Motor Carrier Safety Assistance	-	3,114,787
	<b>FMCSA Cluster Total</b>	<b>\$ -</b>	<b>\$ 3,114,787</b>
<b>Highway Planning and Construction Cluster</b>			
20.205	COVID-19 Highway Planning and Construction	-	2,822,729
20.205	Highway Planning and Construction	2,191,378	424,418,165
20.219	Recreational Trails Program	1,612,204	1,773,344
20.224	Federal Lands Access Program	-	3,706,598
	<b>Highway Planning and Construction Cluster Total</b>	<b>\$ 3,803,582</b>	<b>\$ 432,720,836</b>
<b>Highway Safety Cluster</b>			
20.600	State and Community Highway Safety	357,573	1,470,601
20.616	National Priority Safety Programs	435,039	1,729,685
	<b>Highway Safety Cluster Total</b>	<b>\$ 792,612</b>	<b>\$ 3,200,286</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

**Transit Services Programs Cluster**

20.513 Enhanced Mobility of Seniors and Individuals with Disabilities

	Provided to Subrecipients	Total Federal Expenditures
	\$ 60,784	\$ 66,656
	<u>\$ 60,784</u>	<u>\$ 66,656</u>

**Transit Services Programs Cluster Total** \$ 60,784

**DEPARTMENT OF TRANSPORTATION TOTAL** \$ 21,410,064 \$ 468,191,054

**DEPARTMENT OF VETERANS AFFAIRS**

64.015 COVID-19 Veterans State Nursing Home Care  
 64.015 Veterans State Nursing Home Care  
 64.041 VHA Outpatient Specialty Care  
 64.124 All-Volunteer Force Educational Assistance  
 64.203 Veterans Cemetery Grants Program

	\$ -	\$ 1,641,631
	-	7,781,073
	-	180,692
	-	101,047
	-	87,976
	<u>-</u>	<u>\$ 9,792,419</u>

**Unclustered Total** \$ -

**DEPARTMENT OF VETERANS AFFAIRS TOTAL** \$ - \$ 9,792,419

**ELECTION ASSISTANCE COMMISSION**

90.404 2018 HAVA Election Security Grants

	\$ 399,291	\$ 1,196,964
	<u>\$ 399,291</u>	<u>\$ 1,196,964</u>

**Unclustered Total** \$ 399,291

**ELECTION ASSISTANCE COMMISSION TOTAL** \$ 399,291 \$ 1,196,964

**ENVIRONMENTAL PROTECTION AGENCY**

66.034 Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act  
 66.040 State Clean Diesel Grant Program  
 66.204 Multipurpose Grants to States and Tribes  
 66.419 Water Pollution Control State, Interstate, and Tribal Program Support

	\$ -	\$ 400,824
	-	39,204
	-	36,610
	-	380,022

**The accompanying notes are an integral part of this schedule.**

State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
66.433	State Underground Water Source Protection	-	121,000
66.444	Lead Testing in School and Child Care Program Drinking Water (SDWA 1464(d))	-	263,139
66.454	Water Quality Management Planning	-	113,232
66.460	Nonpoint Source Implementation Grants	-	2,381,808
66.461	Regional Wetland Program Development Grants	-	100,126
66.605	Performance Partnership Grants	-	6,043,426
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	-	90,390
66.708	Pollution Prevention Grants Program	-	285,225
66.717	Source Reduction Assistance	-	27,581
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	-	2,367,677
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	-	305,777
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	-	848,049
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	-	21,102
66.817	State and Tribal Response Program Grants	-	710,596
66.951	Environmental Education Grants	13,327	38,162
66.961	Superfund State and Indian Tribe Combined Cooperative Agreements (Site-Specific and Core)	-	145,340
	<b>Unclustered Total</b>	<b>\$ 13,327</b>	<b>\$ 14,719,290</b>
<b>Clean Water State Revolving Fund Cluster</b>			
66.458	Capitalization Grants for Clean Water State Revolving Funds	-	\$ 324,575,203
	<b>Clean Water State Revolving Fund Cluster Total</b>	<b>\$ -</b>	<b>\$ 324,575,203</b>
<b>Drinking Water State Revolving Fund Cluster</b>			
66.468	Capitalization Grants for Drinking Water State Revolving Funds	-	\$ 189,412,433
	<b>Drinking Water State Revolving Fund Cluster Total</b>	<b>\$ -</b>	<b>\$ 189,412,433</b>
	<b>ENVIRONMENTAL PROTECTION AGENCY TOTAL</b>	<b>\$ 13,327</b>	<b>\$ 528,706,926</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

**EQUAL EMPLOYMENT OPPORTUNITY COMMISSION**

30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964	\$ -	\$ 66,892
	<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 66,892</i>

**EQUAL EMPLOYMENT OPPORTUNITY COMMISSION TOTAL \$ - \$ 66,892**

**EXECUTIVE OFFICE OF THE PRESIDENT**

95.001	High Intensity Drug Trafficking Areas Program	\$ -	\$ 107,232
	<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 107,232</i>

**EXECUTIVE OFFICE OF THE PRESIDENT TOTAL \$ - \$ 107,232**

**FEDERAL COMMUNICATIONS COMMISSION**

32.004	Universal Service Fund - Schools and Libraries	\$ -	\$ 16,829
	<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 16,829</i>

**FEDERAL COMMUNICATIONS COMMISSION TOTAL \$ - \$ 16,829**

**FEDERAL FINANCIAL INSTITUTIONS**

38.006	State Appraiser Agency Support Grants	\$ -	\$ 7,355
	<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 7,355</i>

**FEDERAL FINANCIAL INSTITUTIONS TOTAL \$ - \$ 7,355**

The accompanying notes are an integral part of this schedule.

State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2022

	Provided to Subrecipients	Total Federal Expenditures
<b>GENERAL SERVICES ADMINISTRATION</b>		
39.003    Donation of Federal Surplus Personal Property	\$ -	\$ 71,758
	<i>Unclustered Total</i> \$ -	<i>Unclustered Total</i> \$ 71,758
	<b>GENERAL SERVICES ADMINISTRATION TOTAL</b> \$ -	<b>GENERAL SERVICES ADMINISTRATION TOTAL</b> \$ 71,758
 <b>LIBRARY OF CONGRESS</b>		
42.UXX    Miscellaneous Non-Major Grants	\$ -	\$ 2,917
	<i>Unclustered Total</i> \$ -	<i>Unclustered Total</i> \$ 2,917
	<b>LIBRARY OF CONGRESS TOTAL</b> \$ -	<b>LIBRARY OF CONGRESS TOTAL</b> \$ 2,917
 <b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>		
43.001    Science	\$ -	\$ 221,337
43.008    Education	-	14,435
	<i>Unclustered Total</i> \$ -	<i>Unclustered Total</i> \$ 235,772
	<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL</b> \$ -	<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL</b> \$ 235,772
 <b>NATIONAL ARCHIVES AND RECORDS ADMINISTRATION</b>		
89.003    National Historical Publications and Records Grants	\$ -	\$ 7,210
	<i>Unclustered Total</i> \$ -	<i>Unclustered Total</i> \$ 7,210
	<b>NATIONAL ARCHIVES AND RECORDS ADMINISTRATION TOTAL</b> \$ -	<b>NATIONAL ARCHIVES AND RECORDS ADMINISTRATION TOTAL</b> \$ 7,210

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

**NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES**

	Provided to Subrecipients	Total Federal Expenditures
45.024 Promotion of the Arts Grants to Organizations and Individuals Arts Midwest 00029788	2,350	\$ 55,683
Arts Midwest CASE # 00026553	-	25,000
45.025 COVID-19 Promotion of the Arts Partnership Agreements	-	11,320
45.025 Promotion of the Arts Partnership Agreements	388,807	388,807
45.129 Promotion of the Humanities Federal/State Partnership	502,141	892,841
Humanities Montana 21C052	-	-
Humanities Montana 21R020	-	7,072
Humanities Montana 21R032	-	5,000
45.149 Promotion of the Humanities Division of Preservation and Access	-	1,000
45.160 Promotion of the Humanities Fellowships and Stipends	-	49,746
Association of Tribal Archives ATALM - 74	-	-
45.161 COVID-19 Promotion of the Humanities Research	-	17,828
45.162 Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	-	57,156
45.164 Promotion of the Humanities Public Programs	-	82,004
45.301 Museums for America	-	115,575
45.310 COVID-19 Grants to States	-	37,983
45.310 Grants to States	-	1,250,624
45.312 National Leadership Grants	-	1,242,546
Association of Science-Technology Centers	-	162,924
Texas A&M University M2201312	-	18,202
45.313 Laura Bush 21st Century Librarian Program	-	1,800
45.400 Peace Corps' Global Health and PEPFAR Initiative Program	-	59,581
	-	15,568
	<b>893,298</b>	<b>\$ 4,498,260</b>
	<b>Unclustered Total \$</b>	<b>\$ 4,498,260</b>
	<b>893,298</b>	<b>\$ 4,498,260</b>
	<b>NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES TOTAL \$</b>	<b>\$ 4,498,260</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

	Provided to Subrecipients	Total Federal Expenditures
<b>SMALL BUSINESS ADMINISTRATION</b>		
59.037 COVID-19 Small Business Development Centers	-	\$ 502,039
59.037 Small Business Development Centers	-	737,481
MonTECH 2019-518	-	24,834
59.043 Women's Business Ownership Assistance	-	-
MonTECH	-	11,847
59.058 Federal and State Technology Partnership Program	-	65,103
59.061 State Trade Expansion	-	637,610
59.075 Shuttered Venue Operators Grant Program	-	23,872
59.UXX Miscellaneous Non-Major Grants	-	-
Montana Bioscience Alliance 22-0208-P0001	-	26,149
	<b>Unclustered Total</b>	<b>\$ 2,028,935</b>
<b>SMALL BUSINESS ADMINISTRATION TOTAL</b>		
	<b>\$ -</b>	<b>\$ 2,028,935</b>
<b>SOCIAL SECURITY ADMINISTRATION</b>		
96.008 Social Security - Work Incentives Planning and Assistance Program	89,477	\$ 177,275
	<b>Unclustered Total</b>	<b>\$ 177,275</b>
<b>Disability Insurance/SSI Cluster</b>		
96.001 Social Security Disability Insurance	-	\$ 5,611,239
	<b>Disability Insurance/SSI Cluster Total</b>	<b>\$ 5,611,239</b>
<b>SOCIAL SECURITY ADMINISTRATION TOTAL</b>		
	<b>\$ 89,477</b>	<b>\$ 5,788,514</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

**AGENCY FOR INTERNATIONAL DEVELOPMENT**

98.001 USAID Foreign Assistance for Programs Overseas  
 Rutgers, The State University of New Jersey S19050: PO#1137707

	Provided to Subrecipients	Total Federal Expenditures
\$	-	\$ -
<b>Total \$</b>	<b>-</b>	<b>\$ 10,325</b>

**AGENCY FOR INTERNATIONAL DEVELOPMENT TOTAL \$ 10,325**

**DEPARTMENT OF AGRICULTURE**

***Agricultural Marketing Service***

10.174 Acer Access Development Program

\$	13,599	\$ 26,260
<b>Agricultural Marketing Service Total \$</b>	<b>13,599</b>	<b>\$ 26,260</b>

***Agricultural Research Service***

10.001 Agricultural Research Basic and Applied Research

\$	-	\$ 1,048,072
<b>Agricultural Research Service Total \$</b>	<b>-</b>	<b>\$ 1,048,072</b>

***Animal and Plant Health Inspection Service***

10.025 Plant and Animal Disease, Pest Control, and Animal Care  
 State of Iowa 21CRDWBTHARM,-0001

\$	-	\$ 450,679
<b>Animal and Plant Health Inspection Service Total \$</b>	<b>-</b>	<b>\$ 584,195</b>

***Economic Research Service***

10.250 COVID-19 Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations  
 10.250 Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations

\$	-	\$ 34,651
<b>Economic Research Service Total \$</b>	<b>-</b>	<b>\$ 37,820</b>

***Forest Service***

10.652 Forestry Research  
 Hydrosolutions MSA 2017-TO1  
 Tall Timbers Research, Inc. UM-2021-046  
 University of Idaho NN4574-677925

\$	-	\$ 2,843,316
<b>Forest Service Total \$</b>	<b>-</b>	<b>\$ (155)</b>

10.664 Cooperative Forestry Assistance

10.680 Forest Health Protection

10.682 National Forest Foundation

-	-	28,502
-	-	59,917
-	-	92,650
-	-	35,665

The accompanying notes are an integral part of this schedule.



State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2022

**Research and Development Cluster**

		Provided to Subrecipients	Total Federal Expenditures
10.684	International Forestry Programs	-	92,277
10.699	Partnership Agreements Swan Valley Connections 2021 HERRICK RUN NATIVE FISH	-	63,534
10.707	Research Joint Venture and Cost Reimbursable Agreements	-	3,646
		-	284,544
		-	<b><u>\$ 3,506,164</u></b>
<b>Miscellaneous</b>			
10.RD	Miscellaneous Research and Development Nature Conservancy MTF0040722_MS	-	\$ 145,430
		-	426
		-	<b><u>\$ 145,856</u></b>
<b>National Institute of Food and Agriculture</b>			
10.200	Grants for Agricultural Research, Special Research Grants Mississippi State University 327054.11.12.FR20-5 University of California, Davis A20-1347-S043 University of Idaho AP4292-870300 University of Idaho AP5081-870733	-	-
10.202	Cooperative Forestry Research	-	623,453
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	-	2,816,529
10.207	Animal Health and Disease Research	-	46,640
10.215	Sustainable Agriculture Research and Education Colorado State University G-07002-04 South Dakota State University 3TC473 Utah State University 201207-554	3,730,555	5,459,284
10.217	Higher Education - Institution Challenge Grants Program California Polytechnic State University, San Luis Obispo 2022-3-53734	115,726	130,961
10.226	Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	-	4,186
10.227	1994 Institutions Research Program Fort Peck Community College 2021-38424-34955-1 Fort Peck Community College FPCC-092018-001 Nuetta Hidatsa Sahnish College	8,697	26,326
		-	-
		-	11,457
		-	20,807
		-	11,294

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**Research and Development Cluster**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
Salish Kootenai College 1	-	9,251
Salish Kootenai College MSU-01	-	31,769
Salish Kootenai College UM-18-01	-	11,579
10.304 Homeland Security Agricultural	-	-
Kansas State University A00-0280-S002-A03 (S17045.03)	-	(1,321)
Kansas State University A22-0145-S002	-	31,248
Purdue University F008724402032	-	6,785
10.307 Organic Agriculture Research and Extension Initiative	142,726	521,754
North Dakota State University #FAR0035171	-	435
Utah State University 202524-663	-	34,608
10.309 Specialty Crop Research Initiative	362,670	700,607
Colorado State University G-1363-04	-	816
University of Idaho AN4829-846776	-	101,762
University of Minnesota H007082503	-	7,602
10.310 Agriculture and Food Research Initiative (AFRI)	252,283	2,172,437
Board of Regents - Nevada Higher Education GR12932	-	23,342
Boise State University 10015-PO139386	-	15,912
Kansas State University A21-0417-S002	-	26,073
North Dakota State University FAR0033228	-	21,258
Pennsylvania State University S002665-USDA	-	2,850
Purdue University F9000315202080	-	17,876
University of California, Davis 201603566-08	-	147,409
University of California, Davis A22-1483-S011	-	11,203
University of New Hampshire L0015	-	49,938
University of North Carolina 20180006.1	-	183
10.312 Biomass Research and Development Initiative Competitive Grants Program (BRDI)	12,484	22,949
10.318 Women and Minorities in Science, Technology, Engineering, and Mathematics Fields	-	6,154

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**Research and Development Cluster**

	Provided to Subrecipients	Total Federal Expenditures
10.320 Sun Grant Program	-	-
North Dakota State University FAR0035415	-	21,555
North Dakota State University FAR0035420	-	13,636
10.329 Crop Protection and Pest Management Competitive Grants Program	-	355,974
10.330 Alfalfa and Forage Research Program	78,119	313,005
10.333 Urban, Indoor, and Other Emerging Agricultural Production Research, Education, and Extension Initiative	-	-
Community Food & Agriculture Coalition	-	11,826
10.500 Cooperative Extension Service	-	3,554,343
10.525 Farm and Ranch Stress Assistance Network Competitive Grants Program	-	-
Washington State University 139244 SPC002077	-	121,470
10.527 New Beginnings for Tribal Students	-	9,071
	<b>\$ 4,703,260</b>	<b>\$ 17,566,174</b>

**National Institute of Food and Agriculture Total**

<b>Natural Resources Conservation Service</b>	<b>\$</b>	<b>\$</b>
10.902 Soil and Water Conservation	-	177,822
Pheasants Forever WLRW 2021-02	-	434,301
10.903 Soil Survey	-	788
10.912 Environmental Quality Incentives Program	-	20,807
University of Illinois Urbana-Champaign 103926-18435	-	144,815
	<b>\$</b>	<b>\$ 778,533</b>

**Rural Business Cooperative Service**

10.350 Technical Assistance to Cooperatives	-	-
National Association of Development Organizations	-	74,331
National Association of Development Organizations #481 800.01	-	13,703
National Association of Development Organizations 482.01	-	136,451
National Association of Development Organizations 483.01	-	25,091
National Association of Development Organizations 484.01	-	261

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

	Provided to Subrecipients	Total Federal Expenditures
10.351 Rural Business Development Grant	-	-
National Association of Development Organizations 488.01	-	4,187
National Association of Development Organizations 489.01	-	29,256
10.890 Rural Development Cooperative Agreement Program	-	6,653
<b>Rural Business Cooperative Service Total</b>	<b>\$ -</b>	<b>\$ 289,933</b>

**DEPARTMENT OF AGRICULTURE TOTAL \$ 4,716,859 \$ 23,983,007**

**DEPARTMENT OF COMMERCE**

**Economic Development Administration**

11.020 Cluster Grants

\$ 11,050	\$ 182,000
<b>\$ 11,050</b>	<b>\$ 182,000</b>

**National Institute of Standards and Technology**

11.609 Measurement and Engineering Research and Standards

\$ 34,316	\$ 82,734
<b>\$ 34,316</b>	<b>\$ 82,734</b>

**National Oceanic and Atmospheric Administration**

11.431 Climate and Atmospheric Research

    University Corporation for Atmospheric Research SUBAWD000858

    University Corporation for Atmospheric Research SUBAWD2174

11.438 Pacific Coast Salmon Recovery Pacific Salmon Treaty Program

    State of Alaska AKSSF-53005

11.459 Weather and Air Quality Research

-	-
<b>\$ -</b>	<b>\$ 603,750</b>

**National Oceanic and Atmospheric Administration Total**

**DEPARTMENT OF COMMERCE TOTAL \$ 45,366 \$ 868,484**

The accompanying notes are an integral part of this schedule.

State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

DEPARTMENT OF DEFENSE

*Advanced Research Projects Agency*

12.910 Research and Technology Development  
North Carolina State University 2016-2896-04

	Provided to Subrecipients	Total Federal Expenditures
	\$ 1,247,659	\$ 2,139,616
	-	71,835
	<b>\$ 1,247,659</b>	<b>\$ 2,211,451</b>

*Advanced Research Projects Agency Total*

*Department of the Air Force*

12.800 Air Force Defense Research Sciences Program  
S2 Corporation  
S2 Corporation #S2-1954-19-01A (3B)  
S2 Corporation #S2-1954-19-01F (3A)

	\$ 169,270	\$ 22,396,914
	-	285,747
	-	491,892
	-	664,407
	<b>\$ 169,270</b>	<b>\$ 23,838,960</b>

*Department of the Air Force Total*

*Department of the Army*

12.005 Conservation and Rehabilitation of Natural Resources on Military Installations  
12.114 Collaborative Research and Development  
University of North Carolina 5123041  
12.420 Military Medical Research and Development  
Baylor College 7000001103  
University of California, Davis A19-0382-S001-A02  
University of Texas at Austin UTA20-000476  
12.431 Basic Scientific Research  
Civil-Military Innovation Institute Inc. 22-ARL-TRACA-PP-UMT-001  
University of Maryland 109255-Z8471202  
University of Maryland 92951-Z8310202

	\$ 101,394	\$ 99,893
	-	18,685
	-	69,416
	16,610	300,018
	-	32,671
	-	77,553
	-	30,249
	237,333	6,637,480
	-	261,126
	-	234,114
	-	1,844,287
	<b>\$ 355,337</b>	<b>\$ 9,605,492</b>

*Department of the Army Total*

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

**Department of the Navy**

12.300	Basic and Applied Scientific Research				
	Global Strategic Solutions, LLC	STTR N68335-21-C-0591			
	Pennsylvania State University	5000044-ONR			
	Washington State University	140178 SPC003260			

**Department of the Navy Total \$ 664,068**

**Miscellaneous**

12.RD	Miscellaneous Research and Development		\$	484,113	\$	5,909,597
	Bravo 2 Whiskey, LLC			-		7,859
	Charles River Analytics	SC1812501		-		12,163
	Duke University	313-0742		-		79,865
	Duke University	313-0873		-		78,906
	Johns Hopkins University	169061		25,000		93,971
	Nutronics, Inc.	SUBK-MSU-VDHWFS2-01-012720		-		34,779
	Tufts University	ARM212-MSU/ PO# EP0166321		-		1,399

**Miscellaneous Total \$ 509,113**

**Office of the Secretary of Defense**

12.630	Basic, Applied, and Advanced Research in Science and Engineering		\$	-	\$	408,070
12.632	Legacy Resource Management Program			-		35,054

**Office of the Secretary of Defense Total \$ 443,124**

**DEPARTMENT OF DEFENSE TOTAL \$ 2,945,447**

**DEPARTMENT OF EDUCATION**

**Institute of Education Sciences**

84.305	Education Research, Development and Dissemination		\$	-	\$	-
	University of Missouri	C00064217-1		-		172,423

**Institute of Education Sciences Total \$ 172,423**

The accompanying notes are an integral part of this schedule.

State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

**Office of Elementary and Secondary Education**

84.356A	Alaska Native Education Equity	-	\$ -
	Learning Point Alaska S356A210002		
84.365C	Native American and Alaska Native Children in School		22,547
	Learning Point Alaska T365C210008		

**Office of Elementary and Secondary Education Total**

\$ -		-	\$ -
<b>\$</b>		<b>\$</b>	<b>\$ 39,113</b>

**Office of Innovation and Improvement**

84.336	Teacher Quality Partnership Grants	-	\$ 583,361
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**Office of Innovation and Improvement Total**

\$ -		-	\$ 583,361
<b>\$</b>		<b>\$</b>	<b>\$ 583,361</b>

**Office of Postsecondary Education**

84.217	TRIO McNair Post-Baccalaureate Achievement	-	\$ 257,109
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**Office of Postsecondary Education Total**

\$ -		-	\$ 257,109
<b>\$</b>		<b>\$</b>	<b>\$ 257,109</b>

**DEPARTMENT OF EDUCATION TOTAL**

<b>\$</b>		<b>\$</b>	<b>\$ 1,052,006</b>
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**DEPARTMENT OF ENERGY**

81.049	Office of Science Financial Assistance Program	303,770	\$ 3,621,005
	Impossible Sensing, LLC		68,843
	Washington State University 132345 SPC001690		252,281
	Washington State University 134124-G003968		14,483
	Yale University GR104542 (CON-80001480)		184,235
81.086	Conservation Research and Development	289,987	3,146,203
	North Dakota State University FAR0034253		680
81.087	Renewable Energy Research and Development	128,648	688,201
	Bridger Photonics		48,203
	Carbon Solutions, LLC		33,406
	Clemson University 2107-219-2023054		50,131
	Impossible Sensing ,LLC		3,275
	Michigan State University RC107739		14,714
	University of Toledo F-2019-14		333,821

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

	Provided to Subrecipients	Total Federal Expenditures
81.089 Fossil Energy Research and Development	-	-
New Mexico Institute of Mining P0019650	-	92,812
University of North Dakota DE-FE0032030	-	5,173
University of Wyoming 1005212-MTU	-	15,571
81.121 Nuclear Energy Research, Development and Demonstration	-	105,206
	<b>Total \$ 722,405</b>	<b>\$ 8,678,243</b>

**Miscellaneous**

81.RD Miscellaneous Research and Development	\$ -	-
Leidos P010259575	-	71,271
Los Alamos National Security, LLC 20268	-	20,708
Pacific Northwest National Laboratory 564332	-	26,225
RSI EnTech, LLC LMS7514	-	4,991
RSI EnTech, LLC LMS7547	-	1,609
Sandia National Laboratories 2151826	-	(19)
Sandia National Laboratories 2183707	-	71,340
Sandia National Laboratories 2271165	-	19,341
Sandia National Laboratories PO 1877920	-	3,172
	<b>Miscellaneous Total \$ -</b>	<b>\$ 218,638</b>

**DEPARTMENT OF ENERGY TOTAL \$ 722,405 \$ 8,896,881**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Administration for Children and Families**

93.092 Affordable Care Act (ACA) Personal Responsibility Education Program	\$ -	-
Planned Parenthood Minnesota	-	18,939
93.670 Child Abuse and Neglect Discretionary Activities	-	-
Futures Without Violence 3075	-	16,726
	<b>Administration for Children and Families Total \$ -</b>	<b>\$ 35,665</b>

The accompanying notes are an integral part of this schedule.



State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

**Administration for Community Living**

93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	\$ 62,819	\$ 786,682
	The Institute for Rehabilitation and Research 2021-Y5-017-UMONTANA-SCIMS	-	17,726
	The Institute for Rehabilitation and Research 2022-NCE-017-UMONTANA-SCIM	-	5,873
	University of Kansas FY2017-048-M5	57,647	97,701
	University of Kansas FY2017-048-M7	25,051	56,212
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	-	471,677
	<b>Administration for Community Living Total</b>	<b>\$ 145,517</b>	<b>\$ 1,435,871</b>

**Centers for Disease Control and Prevention**

93.136	Injury Prevention and Control Research and State and Community Based Programs	\$ 144,555	\$ 339,644
93.262	Occupational Safety and Health Program	-	29,302
	Utah State University 203193-715	-	45,248
93.317	Emerging Infections Programs	-	14,808
	<b>Centers for Disease Control and Prevention Total</b>	<b>\$ 144,555</b>	<b>\$ 429,002</b>

**Food and Drug Administration**

93.103	Food and Drug Administration Research	\$ -	\$ 123,688
	<b>Food and Drug Administration Total</b>	<b>\$ -</b>	<b>\$ 123,688</b>

**Health Resources and Services Administration**

93.107	Area Health Education Centers	\$ 476,357	\$ 758,674
93.110	Maternal and Child Health Federal Consolidated Programs	-	-
	American College of Obstetricians and Gynecologists 06-30-1224-5255-14	-	16,328
93.247	Advanced Nursing Education Workforce Grant Program	-	807,981
93.301	Small Rural Hospital Improvement Grant Program	495,020	569,273
93.359	Nurse Education, Practice Quality and Retention Grants	126,250	747,998
93.732	Mental and Behavioral Health Education and Training Grants	-	61,901
93.913	Grants to States for Operation of State Offices of Rural Health	-	(573)
93.969	PPHF Geriatric Education Centers	138,174	605,924
	<b>Health Resources and Services Administration Total</b>	<b>\$ 1,235,801</b>	<b>\$ 3,567,506</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

**Research and Development Cluster**

***Miscellaneous***

		Provided to Subrecipients	Total Federal Expenditures
93.RD	Miscellaneous Research and Development	\$ 5,450,761	\$ 9,240,278
	Boston Children's Hospital GENFD0001583403	-	(64,196)
	Boston Children's Hospital GENFD0002049784	-	785,739
	Duke University 7273 POPS V	-	2,157
	ICF International 19BCSK0080 (HHSN261201400002B)	-	69,226
	ICF International HHSN26120170003B, 75N91020F000	-	118,825
		<b>\$ 5,450,761</b>	<b>\$ 10,152,029</b>

**Miscellaneous Total**

***National Institutes of Health***

93.113	Environmental Health	\$ -	\$ 686,104
	Michigan State University RC107307MON	-	51,803
	University of New Mexico 3RY74	-	(652)
	University of Rochester 417656G/UR FAO GR510992	-	140,316
	University of Rochester ROAES030940-01	-	112,516
93.121	Oral Diseases and Disorders Research	-	145,748
93.143	NIEHS Superfund Hazardous Substances_Basic Research and Education	-	-
	University of Utah 10058542-01-MTU	-	6,663
93.172	Human Genome Research	-	-
	Institute for Systems Biology 2018.0008	-	72,399
	Southcentral Foundation 2018-201	-	99,065
	University of Colorado FY21.1078.001	-	97,301
93.173	Research Related to Deafness and Communication Disorders	-	11,150
	Massachusetts General Hospital 300315	-	181,155
	Promilad Biopharma, Inc. 2R42DC017641-02A1	-	235,516
93.233	National Center on Sleep Disorders Research	-	137,773
93.242	Mental Health Research Grants	-	123,583
93.273	Alcohol Research Programs	52,260	244,735
93.279	Drug Abuse and Addiction Research Programs	26,953	198,340
93.286	COVID-19 Discovery and Applied Research for Technological Innovations to Improve Human Health	-	441,160

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**Research and Development Cluster**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
93.286	387,408	1,190,800
93.307	386,778	783,900
	-	25,123
	-	671
	-	50,400
	-	1,844
93.310	439,256	620,901
93.310	-	506,671
	-	6,566
	-	62,456
	-	9,261
	-	27,481
	-	37,452
	-	13,589
93.350	-	27,800
	-	3,364
	-	14,232
	-	5,424
	-	37,094
93.351	-	-
	-	100,528
93.361	-	-
	-	111,966
93.393	-	346,718
93.397	-	-
	-	394
93.838	-	22,052
93.846	9,432	432,478

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**Research and Development Cluster**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
93.847 Diabetes, Digestive, and Kidney Diseases Extramural Research University of Utah 10053831-01 University of Utah U000266074 / SUB 10053701-02 Yale University CON-80003225: SUBK MSU YR 14	312,411	1,115,814 400,343 7,265 68,295
93.853 Extramural Research Programs in the Neurosciences and Neurological Disorders University of Washington UWSC10752/ BP034774	4,026	790,413
93.855 Allergy and Infectious Diseases Research Albert Einstein College of Medicine P0864954 (SUB NO: 31194A) Emory University A156367 Mayo Clinic MSU-272768-01/PO#68226445 Michigan State University RC110226MSU Oregon Health Science University 1016853_UMT Promilad Biopharma, Inc. R42AI118104 University of Kentucky 7800005601 University of Louisville Research Foundation, Inc. ULRF-17-0750A-01 University of Notre Dame 202953MSU University of Notre Dame 204179MSU Washington University of St. Louis WU-22-0091 Washington University of St. Louis WU-22-0384/PO:ST00006658	1,538,373	5,491,877 22,994 49,298 14,556 35,268 230,669 114,214 34,815 3,066 18,944 158,827 66,481 26,775
93.859 COVID-19 Biomedical Research and Research Training 93.859 Biomedical Research and Research Training Boise State University 9810-PO139492 City of Missoula Little Big Horn College 2021.7.1 EGGERS NARCH Louisiana State University GM104940-220081 Meadowlark Science and Education, LLC UM_GEN01 Meadowlark Science and Education, LLC UM-OD01 Northwest Indian College NWIC-SA24226-MSU Oklahoma State University 5-554009	18,927 1,869,051	686,981 15,677,574 19,905 37,046 17,361 25,785 57,888 365 3,902 21,547

**The accompanying notes are an integral part of this schedule.**

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**Research and Development Cluster**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
Rutgers, The State University of New Jersey PO# 663268/ SUBAWARD #0222	-	92,922
University of Hawaii Z10236376	-	2,511
University of Nevada, Las Vegas GR11257 / MSU-08-01-BERD	-	47,171
University of Nevada, Las Vegas GR11257 / MSU-08-02-CEO	-	17,487
University of Nevada, Las Vegas GR11257 / MSU-08-04-PG-PEW	-	27,859
University of Nevada, Las Vegas GR11265	-	30,921
University of Nevada, Las Vegas GR11265-BERD	-	47,917
University of Nevada, Las Vegas GR11265-CEO	-	76,296
University of Nevada, Las Vegas GR11265-CP3	-	111,807
University of Nevada, Las Vegas GR11265-PG-CHO	-	26,222
University of New Mexico 3REV9	-	13,331
University of Utah 10047369-S2	-	41,149
University of Utah PO U000148335 / 10047369-S2	-	77,158
University of Washington UWSC9319	-	57,962
Virtici, LLC GM130166	-	18,319
93.865 Child Health and Human Development Extramural Research	86,730	790,073
University of Arkansas #54005 PO#G229201003	-	17,828
University of Arkansas PO#G221201020	-	13,953
University of Virginia GB10953.PO# 2366464	-	60,186
93.866 Aging Research	-	200,696
University of Maryland 1R01AG069915-01	-	15,546
University of Washington UWSC10030/BPO26347	-	91,594
93.867 Vision Research	38,509	157,089
University of California, Berkely SUBAWARD NO. 00010266	-	42,197

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

		Provided to Subrecipients	Total Federal Expenditures
93.879	Medical Library Assistance	-	-
	Baylor College PO7000001389	-	37,688
	Baylor College of Medicine 7000000701	-	(1,929)
	National Network of Libraries	-	(34)
	University of Utah PO# U000345336	-	44,607
	<b>National Institutes of Health Total</b>	<b>\$ 5,170,114</b>	<b>\$ 34,812,675</b>

**Substance Abuse and Mental Health Services Administration**

93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	\$ -	\$ -
	Browning Schools 2586-001	-	32,945
93.276	Drug-Free Communities Support Program Grants	-	-
	Washakie County	-	21,140
	<b>Substance Abuse and Mental Health Services Administration Total</b>	<b>\$ -</b>	<b>\$ 54,085</b>

**DEPARTMENT OF HOMELAND SECURITY**

<i>Miscellaneous</i>			
97.RD	Miscellaneous Non-Major Grants	\$ -	\$ 3,917,286
	<b>Miscellaneous Total</b>	<b>\$ -</b>	<b>\$ 3,917,286</b>

**DEPARTMENT OF JUSTICE**

<i>Miscellaneous</i>			
16.RD	Miscellaneous Research and Development	\$ -	\$ 39,451
	<b>Miscellaneous Total</b>	<b>\$ -</b>	<b>\$ 39,451</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

**Office of Justice Programs**

		Provided to Subrecipients	Total Federal Expenditures
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants George Mason University E2054611	-	54,760
		-	87,988
	<b>Office of Justice Programs Total</b>	<b>-</b>	<b>142,748</b>

**DEPARTMENT OF JUSTICE TOTAL \$ - \$ 182,199**

**DEPARTMENT OF STATE**

**Bureau of Educational and Cultural Affairs**

19.408	Academic Exchange Programs - Teachers International Research & Exchanges Board FY20-FTEA-MSU-01	-	-
		-	11,176
	<b>Bureau of Educational and Cultural Affairs Total</b>	<b>-</b>	<b>11,176</b>

**DEPARTMENT OF STATE TOTAL \$ - \$ 11,176**

**DEPARTMENT OF THE INTERIOR**

**Bureau of Land Management**

15.224	Cultural and Paleontological Resources Management	-	104,338
15.230	Invasive and Noxious Plant Management	-	208,139
15.231	Fish, Wildlife and Plant Conservation Resource Management	-	130,940
15.232	Wildland Fire Research and Studies	-	16,285
15.236	Environmental Quality and Protection	-	22,814
15.247	Wildlife Resource Management	-	516,853
15.248	National Landscape Conservation System	-	24,821
	<b>Bureau of Land Management Total</b>	<b>-</b>	<b>1,024,190</b>

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**Research and Development Cluster**

***Miscellaneous***

	<b>Provided to</b>	<b>Total Federal</b>
	<b>Subrecipients</b>	<b>Expenditures</b>
	<b>\$</b>	<b>\$</b>
15.RD Miscellaneous Research and Development	567,215	1,569,541
Colorado State University G-63747-01	-	151,533
Oregon State University L0212A-A	-	183,348
Oregon State University L02226A-A	-	77,690
Oregon State University L02312A-A	-	48,346
Oregon State University L0233A-A	-	818,966
Oregon State University L0246A-A	-	120,937
Oregon State University L0248A-A	-	55,713
Otak, Inc. 33172.020	-	2,786
Otak, Inc. 33172.025	-	30,958
Otak, Inc. 33172.028	-	2,343
PG Environmental, LLC 50002.006 TO 4	-	75,624
PG Environmental, LLC 50002/001	-	13,963
PG Environmental, LLC 50002/001 140L0620F0455	-	108,350
PG Environmental, LLC BLM 50002/001 TO 6	-	69,997
PG Environmental, LLC BLM 50002/001 TO 7	-	98,655
Portland State University 100130	-	(200)
Portland State University 100180	-	216,704
Portland State University 100182	-	276,068
Portland State University 100208	-	204,328
Portland State University 100209	-	35,999
RRC Associates 33172.002	-	57,091
RRC Associates 33172.005	-	77,595
RRC Associates 33172.008	-	975
RRC Associates 33172-015	-	23,864
RRC Associates 33172-034	-	8,244
	<b>567,215</b>	<b>4,329,418</b>
	<b>\$</b>	<b>\$</b>
	<b>Miscellaneous Total</b>	<b>Miscellaneous Total</b>

The accompanying notes are an integral part of this schedule.



State of Montana  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

**National Park Service**

15.915	Technical Preservation Services	\$	-	\$	181
15.945	Cooperative Research and Training Programs - Resources of the National Park System University of California, Santa Cruz A20-0484-S001 University of Wyoming NPS Research Center 1005065-MSU-KRAGH University of Wyoming NPS Research Station 1005065-MSU-KOSER/P362187		-		945,606 (2,481) 4,532 4,997
15.954	National Park Service Conservation, Protection, Outreach, and Education		-		116,093
<b>National Park Service Total</b>					<b>\$ 1,068,928</b>

**U.S. Fish and Wildlife Service**

15.605	Sport Fish Restoration Wyoming Game and Fish Department 002822	\$	-	\$	-
15.608	Fish and Wildlife Management Assistance		-		47,218
15.611	Wildlife Restoration and Basic Hunter Education Colorado Parks and Wildlife 220-IGA-142182 Idaho Fish and Game Idaho Fish and Game IDFG-FY20-509 / 2021-038 Idaho Fish and Game IDFG-MA-20151029 Missouri Department of Conservation 369-B Missouri Department of Conservation 377-B Missouri Department of Conservation CA-472 North Dakota Game and Fish Department North Dakota Game and Fish Department W-68-R-3 State of Nevada SG22-03 State of South Dakota 19CS06W008 State of South Dakota 19CS06W012		-		1,492,740 9,654 109,951 649 2,185 69,909 248,329 101,544 2,978 9,549 176,517 19,935 42,808
15.615	Cooperative Endangered Species Conservation Fund Washington State Department of Natural Resources 93-099848		55,871		-
15.628	Multistate Conservation Grant Council to Advance Hunting and the Shooting Sports FP CONTRACT 22-0578		-	24,200	-
<b>Total Federal Expenditures</b>					<b>37,967</b>

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**Research and Development Cluster**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
15.634 State Wildlife Grants	-	-
Alaska Department of Fish and Game 19-145	-	35,252
Commonwealth of Virginia 2STP 96-6	-	24,460
Texas Parks & Wildlife Department CA-0002647	-	22,754
Wyoming Game and Fish Department 003033	-	32,001
15.637 Migratory Bird Joint Ventures	-	147,135
15.650 Research Grants (Generic)	-	3,709
15.654 National Wildlife Refuge System Enhancements	-	26,528
15.655 Migratory Bird Monitoring, Assessment and Conservation	-	114,509
15.657 Endangered Species Conservation - Recovery Implementation Funds	-	456,005
South Dakota Department of Game, Fish, and Parks 19-0600-048-01	-	131,979
University of California, Santa Cruz A21-0829-S001	-	46,977
15.660 Endangered Species - Candidate Conservation Action Funds	-	30,982
15.662 Great Lakes Restoration	3,619	34,246
15.664 Fish and Wildlife Coordination and Assistance	-	117,871
15.665 National Wetlands Inventory	-	(3,847)
15.670 Adaptive Science	-	23,129
Climate Conservation CONTRACT SIGNED 5/12/22	-	746
15.678 Cooperative Ecosystem Studies Units	-	851,144
<b>U.S. Fish and Wildlife Service Total</b>	<b>\$ 83,690</b>	<b>\$ 4,574,283</b>

**U.S. Geological Survey**

15.805 Assistance to State Water Resources Research Institutes	\$ -	\$ 115,378
15.808 COVID-19 U.S. Geological Survey Research and Data Collection	-	21,482
15.808 U.S. Geological Survey Research and Data Collection	-	327,724
15.810 National Cooperative Geologic Mapping	-	462,407
15.812 Cooperative Research Units	-	523,074
15.814 National Geological and Geophysical Data Preservation	-	71,761
15.815 National Land Remote Sensing Education Outreach and Research America View, Inc. AV18-MT-01	-	-
	-	16,919

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**Research and Development Cluster**

	Provided to Subrecipients	Total Federal Expenditures
15.820 National and Regional Climate Adaptation Science Centers	-	-
University of Colorado 1559603	-	19,516
University of Colorado Boulder 1559947 PO 1001445221	-	83,872
University of Colorado Boulder PO 1001362655/1559255	-	6,991
University of Colorado Boulder PRJCT1559852/PO1001410250	-	40,604
University of Washington UWSC10097 BPO 58427 GRAY	-	34,696
University of Washington UWSC10097 BPO49075	-	(516)
University of Washington UWSC10097 BPO49076	-	14,500
University of Washington UWSC10097BPO58425	-	15,064
15.980 National Ground-Water Monitoring Network	-	88,376
15.981 Water Use and Data Research	-	42,740
	<b>U.S. Geological Survey Total \$</b>	<b>\$ 1,884,588</b>

**DEPARTMENT OF THE INTERIOR \$ 650,905 \$ 12,881,407**

***Federal Aviation Administration***

20.109 Air Transportation Centers of Excellence	\$ -	\$ 38,611
	<b>Federal Aviation Administration Total \$</b>	<b>\$ 38,611</b>

***Federal Highway Administration***

20.200 Highway Research and Development Program	\$ 79,711	\$ 363,661
Cadmus Group 4652FHWA-MTI-1	-	4,601
California Department of Transportation 65A0770	-	56,158
California Department of Transportation 65A0772	-	43,446
Minnesota Department of Transportation 1003322 WORK ORDER NO. 5	-	13,479
Minnesota Department of Transportation 1044527	24,301	70,839
Minnesota Department of Transportation 1047786	-	15,498
Minnesota Department of Transportation 1048127	-	9,802
Nevada Department of Transportation P701-18-803 TASK 01	-	105,131
Nevada Department of Transportation P701-18-803 TASK 02	-	13,622

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**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**Research and Development Cluster**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
Nevada Department of Transportation P701-18-803 TASK 03	-	27,424
Nevada Department of Transportation P701-18-803 TASK 04	-	342
Nevada Department of Transportation P701-18-803 TASK 05	45,031	54,263
Nevada Department of Transportation P701-18-803 TASK 06	-	42,380
Nevada Department of Transportation P701-18-803 TASK 07	-	69,001
South Dakota Department of Transportation 311280 SD2016-03	-	31
Transportation Research Board HR 20-122 SUB0001256	-	7
Washington State Department of Transportation T6737 TASK 14	-	94,740
Highway Planning and Construction	2,900	1,369,988
Iowa Department of Transportation TPF-5(290)	-	16
Iowa Department of Transportation TPF-5(435)	-	26,099
Kentucky Transportation Cabinet SC 625-2100000531	-	6,021
State of Wyoming RS06219	-	26,905
Vermont Agency of Transportation GR1477	-	186
Highway Training and Education	-	67,842
Battelle Memorial Institute US001-0000804612	-	4,547
Battelle Memorial Institute US001-0000804612 LINE 1	-	3,047
Battelle Memorial Institute US001-0000806715	-	11,829
<b>Federal Highway Administration Total</b>	<b>\$ 151,943</b>	<b>\$ 2,500,905</b>

**National Highway Traffic Safety Administration**

20.600 State and Community Highway Safety	-	-
National Academies of Science BTS-15 UNIT 913 SUB0001557	8,492	103,931
Washington Traffic Safety Commission 2022-AG-4547	-	99,342
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	-	7,313

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

**Research and Development Cluster**

	Provided to Subrecipients	Total Federal Expenditures
20.616 National Priority Safety Programs	-	-
Washington Traffic Safety Commission 20-VENDOR CONTRACT-4004 VC4196	-	24,182
Washington Traffic Safety Commission FY21-#4350 2022-SUBGRANTS-4504	-	55,881
Washington Traffic Safety Commission PROJECT # 2021-SUB-GRANTS-4353	-	10,883
<b>National Highway Traffic Safety Administration Total</b>	<b>\$ 8,492</b>	<b>\$ 301,532</b>

***Office of the Secretary***

20.701 University Transportation Centers Program	\$ 1,042,130	\$ 1,981,732
<b>Office of the Secretary Total</b>	<b>\$ 1,042,130</b>	<b>\$ 1,981,732</b>

**DEPARTMENT OF TRANSPORTATION TOTAL \$ 1,202,565 \$ 4,822,780**

**DEPARTMENT OF VETERANS AFFAIRS**

***VA Health Administration Center***

64.054 Research and Development	\$ -	\$ 822,564
<b>VA Health Administration Center Total</b>	<b>\$ -</b>	<b>\$ 822,564</b>

**DEPARTMENT OF VETERANS AFFAIRS TOTAL \$ - \$ 822,564**

**ENVIRONMENTAL PROTECTION AGENCY**

66.202 Congressionally Mandated Projects	\$ -	\$ -
Idaho Department of Environmental Quality S574	-	17,144
Idaho Department of Environmental Quality S613	-	24,451
66.454 Water Quality Management Planning	-	-
Clark Fork Coalition 363428665	-	13,148
66.461 Regional Wetland Program Development Grants	-	167,283
66.466 Chesapeake Bay Program	-	-
National Fish and Wildlife Foundation 0602.18.062653	-	264,999
66.509 Science To Achieve Results (STAR) Research Program	-	-
University of New Mexico 3RAW5 / 83615701	-	1
66.516 P3 Award: National Student Design Competition for Sustainability	-	15,665
66.716 Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	-	21,736

**The accompanying notes are an integral part of this schedule.**

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

	Provided to Subrecipients	Total Federal Expenditures
66.802 Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	-	-
Dine' College 1819-16-513	-	20,165
66.808 Solid Waste Management Assistance Grants	-	107,899
66.962 Columbia River Basin Restoration (CRBR) Program	8,000	64,241
	<b>8,000</b>	<b>716,732</b>
<b>Total \$</b>	<b>8,000</b>	<b>\$ 716,732</b>

**ENVIRONMENTAL PROTECTION AGENCY TOTAL \$ 8,000 \$ 716,732**

**FEDERAL COMMUNICATIONS COMMISSION**

32.006 COVID-19 Telehealth Program	-	248,776
	-	-
<b>Total \$</b>	<b>-</b>	<b>\$ 248,776</b>

**FEDERAL COMMUNICATIONS COMMISSION TOTAL \$ - \$ 248,776**

**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**

43.001 Science	\$ 812,365	\$ 4,931,908
Association of Universities for Research	-	22,304
Astrophysical Research Consort SSP538	-	91,213
Bowling Green State University 10010205-UMT	-	52,411
California Institute of Technology 1649019	-	39,456
Central Washington University 22248100YR1	-	51,030
Dartmouth College R1060	-	343,799
Dartmouth College R1148	-	8,488
Georgia Institute of Technology AWD-000545-G1	-	61,308
Johns Hopkins University 174558	-	3,177
Lockheed Martin Corporation 8100002702	-	349,801
Predictive Science, Inc.	-	38,849
Princeton University SUB0000396	-	19,616
Resilient Computing, LLC	-	1,062
Resonon Inc	-	28,081
Smithsonian Astrophysical Observatory G02-23076X	-	881

The accompanying notes are an integral part of this schedule.

**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**Research and Development Cluster**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
Smithsonian Astrophysical Observatory G09-20094X	-	10,351
Smithsonian Astrophysical Observatory SV0-09023	-	16,133
Smithsonian Astrophysical Observatory SV9-89001	-	161,689
Southwest Research Institute K99081KJ	-	241
Space Telescope Science Institute HST-GO-15607.001.A	-	34,956
Stone Aerospace/PSC, Inc.	-	13,956
Stottler Henke Associates, Inc. DIS-MAESTRO2 MSU	-	150,702
Sustainable Bioproducts	-	100,074
University Corporation For Atmospheric Research SUBAWD002878	-	29,033
University of Colorado Denver PO1001469105/1560348	-	31,890
University of Maryland 104698-Z6398202	-	15,454
University of Maryland 3TB432	-	90,826
University of Massachusetts 20-010961 A	-	168,474
University of Minnesota A007438701	-	30,754
University of Texas at Dallas 2109011	-	5,419
University of Washington UWSC12794 BPO 56293	-	90,727
University of Washington UWSC8879/BPA13182	-	(59)
University of Washington UWSC8879/BPO13182	-	(97)
43.008 Education	269,050	1,880,741
Lockheed Martin Corporation PO 4104859852	-	16,955
Space Telescope Science Institute HST-GO-16661.001-A	-	8,838
Stottler Henke Associates, Inc.	-	19,633
43.009 Cross Agency Support	-	11,629
43.012 Space Technology	88,561	416,893
	<b>Total \$ 1,169,976</b>	<b>\$ 9,348,596</b>

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

	Provided to Subrecipients	Total Federal Expenditures
<b>Miscellaneous</b>		
43.RD Miscellaneous Research and Development	-	-
California Institute of Technology 1422120	-	160,270
<b>Miscellaneous Total</b>	<b>-</b>	<b>\$ 160,270</b>

**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL \$ 1,169,976 \$ 9,508,866**

**NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES**

45.129 Promotion of the Humanities Federal/State Partnership	-	-
Humanities Montana 20R039	-	259
<b>Total</b>	<b>-</b>	<b>\$ 259</b>

**Institute of Museum and Library Services**

45.313 Laura Bush 21st Century Librarian Program	-	184,258
Drexel University 950022-P / PO: U0241139	-	15,610
<b>Institute of Museum and Library Services Total</b>	<b>-</b>	<b>\$ 199,868</b>

**NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES TOTAL \$ - \$ 200,127**

**NATIONAL SCIENCE FOUNDATION**

47.041 Engineering Grants	13,481	2,647,162
University of Michigan SUBK00011355	-	73,799
University of Washington UWSC13225 / PO# BPO60527	-	88,487
47.049 Mathematical and Physical Sciences	514,136	3,242,661
Brigham Young University OXY-CURM0063	-	238
Occidental College OXY-CURM0052	-	4,542
Oregon State University S2270B-1	-	18,510
University Wisconsin-Milwaukee 2034045458 (1534055370)	-	49,257

The accompanying notes are an integral part of this schedule.



**State of Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**Research and Development Cluster**

	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
47.050 Geosciences	175,930	2,690,592
Columbia University	-	14,987
University of Colorado 1555338-PO 1000856931	-	40,820
University of Colorado Denver 1555337/PO#1000855308	-	50,698
University of Hawaii MA1588	-	7,637
University of Hawaii at Manoa MA 1391	-	31,762
47.070 Computer and Information Science and Engineering	2,071	609,489
47.074 Biological Sciences	341,761	6,245,265
Cary Institute of Ecosystem Studies 3340-200201873	-	23,880
Wellesley College Award #2135851	-	77,886
47.075 Social, Behavioral, and Economic Sciences	192,971	406,153
47.076 COVID-19 Education and Human Resources	3,099	19,119
47.076 Education and Human Resources	127,670	2,600,079
Aaniiih Nakoda College MSU-3753	-	46,742
Chief Dull Knife College	-	3,151
Colorado State University 96702-5	-	742
Concord Consortium 354.21.03	-	22,421
Mathematical Association of America MAA 3-8-710-891	-	5,175
Michigan State University RC104101MONTANA	-	5,351
Salish Kootenai College HRD 1826637	-	34,093
Salish Kootenai College HRD1826637	-	2,985
Salish Kootenai College SKC-19-UOM-003	-	600
University of California, Berkeley 00010785	-	11,302
Utah State University NTAE-2021-2134	-	4,543
Washington State University 131202-SPC001720	-	19,101
Washington State University 140262-SPC003495	-	7,150
47.078 Polar Programs	97,040	488,791
47.079 Office of International Science and Engineering	-	185,833

The accompanying notes are an integral part of this schedule.

State of Montana  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2022

**Research and Development Cluster**

	Provided to Subrecipients	Total Federal Expenditures
47.083 Office of Integrative Activities	867,443	4,340,679
North Carolina State University 2019-3154-01	-	58,384
South Dakota School of Mines SDSMT-MSU 18-04	-	163,770
South Dakota School of Mines SDSMT-MSU-20-10	-	245,347
University of Alaska	-	1,686
University of Nebraska 25-6222-0984-050	11,128	336,768
University of Wyoming 1004809-UM	-	125,478
	<b>Total \$ 2,346,730</b>	<b>\$ 25,053,115</b>

**NATIONAL SCIENCE FOUNDATION TOTAL \$ 2,346,730 \$ 25,053,115**

**SMALL BUSINESS ADMINISTRATION**

59.058 Federal and State Technology Partnership Program	\$ -	\$ 60,677
	<b>Total \$ -</b>	<b>\$ 60,677</b>

**SMALL BUSINESS ADMINISTRATION TOTAL \$ - \$ 60,677**

**SOCIAL SECURITY ADMINISTRATION**

96.007 Social Security Research and Demonstration	\$ -	-
University of Wisconsin-Madison 0000000670	-	20
University of Wisconsin-Madison 0000001149	-	37,983
University of Wisconsin-Madison 0000001443	-	26,952
	<b>Total \$ -</b>	<b>\$ 64,955</b>

**SOCIAL SECURITY ADMINISTRATION TOTAL \$ - \$ 64,955**

**RESEARCH AND DEVELOPMENT CLUSTER TOTAL \$ 25,955,001 \$ 191,412,434**

**EXPENDITURES OF FEDERAL AWARDS TOTAL \$ 636,443,237 \$ 5,072,339,898**

The accompanying notes are an integral part of this schedule.

**STATE OF MONTANA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Note 1. Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the state of Montana under programs of the federal government for the fiscal year ended June 30, 2022. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (referred to as the "Uniform Guidance").

Because this schedule presents only a selected portion of the operations of the state of Montana, it is not intended to, and does not present, the financial positions, change in net assets, or, where applicable, its cash flows for the fiscal year ended June 30, 2022.

Significant Accounting Policies

Expenditures shown on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting, except as noted below. Under the modified accrual basis of accounting, expenditures are generally recorded in the accounting period in which the liability is incurred. However, there are some payments, such as compensated absences, that are only recorded when the payment is due.

Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Montana University System uses full accrual accounting to report federal expenditure activity, such as the Student Financial Assistance, Education and Stabilization Funds, and Research and Development programs. Certain other programs of the state, such as the Unemployment Insurance, Section 8 Voucher, Section 8 Project-Based programs, also use the full accrual basis of accounting. Under the full accrual basis of accounting, expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Loan and Loan Guarantee Programs (Note 2), Federal Excess Personal Property (Note 7), and the Department of Defense Firefighting Property (Note 8) are presented using the basis of accounting described in each note.

The state of Montana did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

### Coronavirus Relief Programs

The state of Montana expended \$772,058,084 under the various Coronavirus relief programs in fiscal year 2022. These programs are indicated by a "COVID-19" reference in front of the federal program name on the fiscal year 2022 Schedule of Expenditures of Federal Awards.

During the emergency period of COVID-19 pandemic and as allowed under OMB Memorandum M-20-20 (April 9, 2020), federal agencies and recipients could donate PPE purchased with federal assistance funds to various entities for the COVID-19 response. In this respect, the state received \$1,252,936 in supplies and equipment under ALN 97.036, Disaster Grants - Public Assistance (Presidentially Declared Disasters) which is not shown on the Schedule of Expenditures of Federal Awards.

A summary of the federal programs that expending COVID-19 Funding is shown below:

<b>ALN</b>	<b>Coronavirus Relief Programs</b>	<b>FY 2022 Expenditures</b>
10.229	Extension Collaborative on Immunization Teaching & Engagement	\$20,151
10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	34,651
10.542	Pandemic EBT Food Benefits	30,310,983
10.553	School Breakfast Program	19,285,554
10.555	National School Lunch Program	67,910,738
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	641,942
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	944,995
10.567	Food Distribution Program on Indian Reservations	127,984
10.568	Emergency Food Assistance Program (Administrative Costs)	53,578
10.649	Pandemic EBT Administrative Costs	962
11.307	Economic Adjustment Assistance	61,520
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	1,341,254
14.231	Emergency Solutions Grant Program	5,109,554
14.241	Housing Opportunities for Persons with AIDS	117,387
14.871	Section 8 Housing Choice Vouchers	667,777
15.808	U.S. Geological Survey Research and Data Collection	21,482
16.034	Coronavirus Emergency Supplemental Funding Program	995,640
17.225	Unemployment Insurance	19,330,551
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	247,292
20.106	Airport Improvement Program	491,407
20.205	Highway Planning and Construction	2,822,729
20.509	Formula Grants for Rural Areas	2,600,035
20.526	Bus and Bus Facilities Formula Program	835,352
21.019	Coronavirus Relief Fund	11,422,967

21.023	Emergency Rental Assistance Program	60,256,168
21.026	Homeowner Assistance Fund	546,772
21.027	Coronavirus State and Local Fiscal Recovery Funds	37,260,820
32.006	COVID-19 Telehealth Program	248,776
45.025	Promotion of the Arts Partnership Agreements	388,807
45.161	Promotion of the Humanities Research	57,156
45.310	Grants to States	1,250,624
47.076	Education and Human Resources	19,119
59.037	Small Business Development Centers	502,039
64.015	Veterans State Nursing Home Care	1,641,631
84.181	Special Education-Grants for Infants and Families	1,193
84.425C	Governor's Emergency Education Relief (GEER) Fund	1,447,181
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund	80,896,585
84.425E	Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	36,449,555
84.425F	HEERF Institutional Aid Portion	21,097,279
84.425M	HEERF Strengthening Institutions Program (SIP)	1,718,404
84.425R	Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS) program	1,904,618
84.425U	American Rescue Plan -Elementary and Secondary School Emergency Relief (ARP ESSER)	48,506,402
84.425W	American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	236,982
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	32,827
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	168,606
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	2,051,477
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	3,665,783
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	51,052
93.052	National Family Caregiver Support, Title III, Part E	563,574
93.090	Guardianship Assistance	178,103
93.107	Area Health Education Centers	1
93.155	Rural Health Research Centers	6,300,883
93.268	Immunization Cooperative Agreements	14,376,816
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	441,160
93.301	Small Rural Hospital Improvement Grant Program	263,615
93.310	Trans-NIH Research Support	620,901
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	41,459,051
93.336	Behavioral Risk Factor Surveillance System	60,000
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	1,422,673

93.391	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	9,503,512
93.421	Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	39,371
93.498	Provider Relief Fund	554,217
93.558	Temporary Assistance for Needy Families	117,487
93.568	Low-Income Home Energy Assistance	23,425,034
93.569	Community Services Block Grant	921,560
93.575	Child Care and Development Block Grant	49,386,186
93.590	Community-Based Child Abuse Prevention Grants	2,410
93.599	Chafee Education and Training Vouchers Program (ETV)	405,741
93.630	Developmental Disabilities Basic Support and Advocacy Grants	512,578
93.639	ACA-Transforming Clinical Practice Initiative: Support and Alignment Networks (SANs)	1,961
93.645	Stephanie Tubbs Jones Child Welfare Services Program	108,741
93.658	Foster Care Title IV-E	440,611
93.659	Adoption Assistance	1,124,832
93.665	Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	923,965
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	149,599
93.747	Elder Abuse Prevention Interventions Program	421,395
93.767	Children's Health Insurance Program	4,975,070
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	31,634
93.778	Medical Assistance Program	135,316,979
93.859	Biomedical Research and Research Training	686,981
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	50,837
93.889	National Bioterrorism Hospital Preparedness Program	225,377
93.917	HIV Care Formula Grants	9,788
93.958	Block Grants for Community Mental Health Services	239,844
93.959	Block Grants for Prevention and Treatment of Substance Abuse	905,461
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants	257,298
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	8,317,929
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	1,518,568
	<b>Total Coronavirus Relief Program Funding</b>	<b>\$ 772,058,084</b>

#### Families First Coronavirus Response Act

Section 6008 of the Families First Coronavirus Response Act provided a temporary 6.2 percentage point increase to each qualifying state and territory's Federal Medical Assistance Percentage (FMAP) under section 1905(b) of the Social Security Act. In fiscal year 2022, the state realized in the Medical Assistance Program (ALN 93.778) an additional \$75,867,845 from the temporary FMAP increase.

Food Distribution Programs

The amount reported for Food Distribution programs (ALN 10.555, 10.565, 10.567, 10.569, and 93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the state to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. Montana also distributes food commodities to other states in the western region of the United States. During fiscal year 2022, Montana distributed \$288,283 of food commodities under ALN 10.567 to other states.

The state of Montana distributed \$10,595,478 in commodities during fiscal year 2022. The June 30, 2022, value of commodities stored at the state’s warehouse is \$6,632,268, for which the state is liable in the event of loss. The state has insurance to cover this liability.

Minority Health and Health Disparities Research

The amount reported for the Minority Health and Health Disparities Research Program (ALN 93.307) includes endowment funds of \$9,375,000, along with interest earned on the endowment. The entire endowment amount is reported as expended each year, as the funds are restricted for the life of the endowment.

Immunization Cooperative Agreements

The amount reported for the Immunization Cooperative Agreements (ALN 93.268) includes the dollar value of vaccine doses received during fiscal year 2022. The state used the Centers for Disease Control’s price list to calculate the value of doses received. During fiscal year 2022, Montana received 172,003 vaccine doses valued at \$10,716,297.

**Note 2. Loan and Loan Guarantee Programs**

The following loan and loan guarantee programs are reported on the Schedule of Expenditures of Federal Awards at their July 1, 2021, beginning loan balance plus the value of new loans made or received, plus any interest subsidy, cash, or administrative cost allowance received during fiscal year 2022:

ALN	Federal Loan and Loan Guarantee Program State Revolving Loans	FY 2022 Ending Balances
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$ 299,316,886
66.468	Capitalization Grants for Drinking Water State Revolving Funds	<u>187,284,599</u>
	<b>Total State Revolving Loan Programs</b>	<b><u>\$ 486,601,485</u></b>

<b>Federal Loan and Loan Guarantee Program</b>		<b>FY 2022</b>
<b>ALN</b>	<b>Student Financial Assistance</b>	<b>Ending Balances</b>
<b>University Loans</b>		
84.038	Federal Perkins Loan Program – Federal Capital Contributions	\$ 15,014,282
93.264	Nurse Faculty Loan Program (NFLP)	1,895
93.342	Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students	273,062
93.364	Nursing Student Loans	<u>2,470,074</u>
<b>Total State Revolving Loan Programs</b>		<b><u>\$ 17,759,313</u></b>

Perkins Loan Programs

Under the Perkins Loan Extension Act of 2015, universities participating in this program are no longer permitted to make Perkins Loan disbursements after June 30, 2018. Institutions may choose to continue servicing their existing Perkins Loans until such time the institution’s outstanding loans have been paid in full or otherwise retired. Both Montana State University and the University of Montana have chosen to continue to service their current loans.

Economic Adjustment Assistance Program

The Economic Adjustment Assistance Program (ALN 11.307) consists of two separate awards, which are reported on the Schedule of Expenditures of Federal Awards at the June 30, 2022, ending loan balances.

The amount of loans outstanding as of June 30, 2022, is \$324,245 for award number 05-19-02445 and \$3,166,213 for award number 05-79-73005. The calculation for each of these loan balances is as follows:

<b>Award Number</b>	<b>05-19-02445</b>	<b>05-79-73005</b>
State Award Name	EDA Revolving Loan	EDA Revolving Loan
Federal Grantor	US Department of Commerce	US Department of Commerce
Federal Program Name	Title IX SSED Revolving Loan Fund	Economic Adjustment Assistance
Ending Loan Balance	\$ 232,014	\$ 1,885,659
Ending Cash and Investments	224,669	4,410,678
Admin Paid from RLF Income	-	36,089
Unpaid Principal Written Off	<u>-</u>	<u>-</u>
	\$ 456,683	\$ 6,332,426
Federal Percentage	71%	50%
Federal Share of Loan	<u>\$ 324,245</u>	<u>\$ 3,166,213</u>



**Note 3. Type A Federal Programs**

The state of Montana issues a biennial single audit report. The Montana Single Audit report for the two fiscal years ended June 30, 2023, will be issued by March 31, 2024.

The Type A program threshold will be determined based on actual expenditures incurred during the two fiscal years ended June 30, 2023.

**Note 4. Assistance Listing Number**

The Assistance Listing Number (formerly CFDA number) is a unique number assigned to identify a federal program. It is a five-digit number, where the first two digits represent the federal awarding agency and the second three digits represent the program. Certain programs may contain an additional alpha-character at the end of the five-digit number to indicate a subcategory of the federal program. Programs with an unknown Assistance Listing Number were assigned a number in the format \*\*.UXX or \*\*.RD. Also refer to Note 12.

**Note 5. Program Clusters**

As defined by 2 CFR section 200.1, a cluster of programs is a grouping of closely related programs that share common compliance requirements. Except for the Student Financial Assistance Cluster, clusters of programs are presented on the Schedule of Expenditures of Federal Awards either within their respective federal agency (for non-research and development programs) or by federal agency and major subdivision for research and development programs.

**Student Financial Assistance Cluster**

Amounts reported for the Student Financial Assistance Cluster include programs administered by both the Department of Education and the Department of Health and Human Services. These clusters are shown separately, within their respective federal agencies, on the Schedule of Expenditures of Federal Awards. The combined Student Financial Assistance Cluster includes the following programs:

<b>ALN</b>	<b>Student Financial Assistance Cluster</b>	<b>FY 2022 Expenditures</b>
84.007	Federal Supplemental Educational Opportunity Grants	\$ 2,099,879
84.033	Federal Work-Study Program	1,581,980
84.038	Federal Perkins Loan Program – Federal Capital Contributions	19,311,066
84.063	Federal Pell Grant Program	35,745,321
84.268	Federal Direct Student Loans	144,211,833
93.264	Nurse Faculty Loan Program (NFLP)	3,331
93.342	Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students	319,234
93.364	Nursing Student Loans	2,804,851

93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds – Scholarships for Disadvantaged Students (SDS)	397,835
	<b>Total Student Financial Assistance Cluster</b>	<b><u>\$ 206,475,330</u></b>

**Note 6. Research and Development Grants**

Research and Development includes all research activities, both basic and applied, and all development activities that are performed by a non-federal entity. Research is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. The term research also includes activities involving the training of individuals in research techniques, where such activities utilize the same facilities as other research and development activities, and where such activities are not included in the instruction function.

Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. Federal awards that meet the research and development criteria are listed in the Research and Development Cluster.

**Note 7. Federal Excess Personal Property**

The state of Montana receives Federal Excess Personal Property (FEPP). The title to this property remains with the federal agency. In accordance with General Services Administration guidelines, the amounts are presented at fair market value at the time of receipt by the state, which is determined to be 23.34% of the original acquisition cost of the property.

Property received under ALN 81.UXX, Miscellaneous Non-major Grants, is shown at its fair market value at the time of receipt.

The following is a list of the FEPP received by the state of Montana during fiscal year 2022. The negative amount reflects property sold (title transferred at public sale) or other disposition.

ALN	Program	FY 22 Net Received (Disbursed)	FY 22 Ending Inventory
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	\$ -	\$ 129,993
10.500	Cooperative Extension Service	-	3,157
10.664	Cooperative Forestry Assistance	(192,121)	4,290,898
10.UXX	Miscellaneous – Non-major Grants	(89,506)	46,919
15.UXX	Miscellaneous – Non-major Grants	-	3,553
39.003	Donation of Federal Surplus Personal Property	71,758	429,641
81.UXX	Miscellaneous – Non-major Grants	-	2,370
43.UXX	Miscellaneous – Non-major Grants	-	660,814
47.UXX	Miscellaneous – Non-major Grants	-	114,737

**Note 8. Department of Defense Firefighting Property**

The Department of Natural Resources and Conservation (DNRC) receives Department of Defense Firefighting Property (FFP). The title to this property is transferred to the DNRC. In accordance with General Services Administration guidelines, the amounts are presented at fair market value at the time of receipt by DNRC, which is determined to be 23.34% of the original acquisition cost of the property. The following is the value of FFP received by the state of Montana during fiscal year 2022:

ALN	Program	FY 22 Amount	FY 22 Ending Inventory
12.UXX	Miscellaneous – Non-major Grants	\$ 118,088	\$ 3,478,439

**Note 9. Unemployment Benefits**

The unemployment compensation system is a federal-state partnership. State unemployment insurance laws must conform to certain provisions of the federal law. Federal funds are expended for administrative costs. State unemployment taxes must be deposited into a state account in the Federal Unemployment Trust Fund and are used only to pay benefits. State Unemployment Insurance (UI) funds, as well as federal funds, are included on the Schedule of Expenditures of Federal Awards (SEFA).

The following schedule provides a breakdown of the state and federal portions of the total expenditures recorded for the Unemployment Insurance Program (ALN 17.225).

State UI Expenditures	\$ 35,741,450
Federal UI Expenditures	<u>27,908,233</u>
Total Expenditures	<u>\$ 63,649,683</u>

**Note 10. Subgrants to State Agencies**

Federal assistance transferred from one Montana state agency to another Montana state agency is shown only once on the Schedule of Expenditures of Federal Awards.

Federal assistance received from non-state sources, which are considered subgrants by the awarding agency, are treated as pass-through grants to the state. These pass-through awards are listed below the direct federal awards reported on the Schedule of Expenditures of Federal Awards. Pass-through grant numbers are included for those awards that were assigned an identifying number.

**Note 11. Subgrants to Non-State Agencies**

Federal assistance transferred from a Montana state agency or university to a non-state agency, such as a city, county, tribal government, or nonprofit organization, is identified in the Amount to Subrecipients

column shown in the Schedule of Expenditures of Federal Awards. These amounts are included in the expenditure totals shown on the report.

The Amounts to Subrecipients includes federal assistance transferred from a Montana state agency or university that was originally received as a subgrant from another Montana state agency or university. These amounts are not included in the expenditure totals shown on the report, since the original award is only shown once on the Schedule of Expenditures of Federal Awards, as described in Note 10 above.

A summary of amounts that were subgranted to a non-state agency, such as a city, county, tribal government, or nonprofit organization, which were made from awards originally received from another Montana state agency or university, is shown below:

ALN	Non-Research and Development Program	Provided to Subrecipients
21.019**	Coronavirus Relief Fund	\$ (8,306,437)
21.023**	Emergency Rental Assistance Program	315,984
21.027	Coronavirus State and Local Fiscal Recovery Funds	25,590,480
84.048	Career and Technical Education -- Basic Grants to States	3,167,879
93.262	Occupational Safety and Health Program	9,000
93.387	National and State Tobacco Control Program	56,220
93.391	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	498,023
93.586	State Court Improvement Program	6,500
93.667	Social Services Block Grant	711,001
<b>Total Non-Research and Development</b>		<b><u>\$ 22,048,650</u></b>

*\*\* In fiscal year 2022, the state reclassified payments previously reported as subgrants to a different expenditure category (payment to individuals) for the Emergency Rental Assistance Program (ALN 21.023) and the Coronavirus Relief Fund (ALN 21.019).*

ALN	Research and Development Program	Provided to Subrecipients
20.205	Highway Planning and Construction	\$ 2,900
93.859	Biomedical Research and Research Training	18,927
<b>Total Non-Research and Development</b>		<b><u>\$ 21,827</u></b>

**Note 12. Federal Awards Not Having an Assistance Listing Number**

The following schedules contain contract or grant numbers associated with awards that did not have an Assistance Listing Number and were assigned either a \*\*.UXX or \*\*.RD number in the Schedule of Expenditures of Federal Awards. Not all \*\*.UXX or \*\*.RD awards reported on the SEFA had a grant or contract number. Also refer to Note 4.

*Schedule of Unknown Federal Assistance Listing Numbers*

	<b>Contract or Grant Number</b>	<b>Amount</b>
<b>DEPARTMENT OF AGRICULTURE</b>		
10.U01	17-FI-11015200-003	\$ 21,579
10.U02	18-FI-11011600-026	12,447
10.U03	N/A	644
10.U04	17-CS-11015600-005	2,500
10.U05	22-CS-11015600-024	2,500
<b>DEPARTMENT OF DEFENSE</b>		
12.U01	21-129P	1,337,047
12.U02	21-179P	264,571
12.U03	22-019P	15,318
12.U04	22-155P	378
12.U05	22-162P	260
12.U06	22-171P	133,678
12.U07	W9128F20D0025	264,240
12.U08	DNRC FFP	118,089
12.U09	4014-002, PO#2022-GS-007	17,908
12.U10	4014-003, PO#2022-GS-011	3,922
<b>DEPARTMENT OF EDUCATION</b>		
84.U01	91990020C0060	94,813
<b>DEPARTMENT OF ENERGY</b>		
81.U01	21-066G	23,666
81.U02	22-074G	91,136
81.U03	0201.22.073815	2,373
81.U04	IAA NO. 87723	6,000
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
93.U01	HHSF223201810079C	184,980
93.U02	N/A	7,761
<b>DEPARTMENT OF THE INTERIOR</b>		
15.U01	140F0621C0037	39,590
15.U02	140L3621C0006	3,192
15.U03	140P1321P0027	3,163
15.U04	14L0621F0367	14,296
15.U05	1800-1444-1	50,619
<b>LIBRARY OF CONGRESS</b>		
42.U01	FED20-015	2,917
<b>SMALL BUSINESS ADMINISTRATION</b>		
59.U01	22-0208-P0001	26,149

**Schedule of Unknown Federal Assistance Listing Numbers  
Research and Development**

	Contract or Grant Number	Amount
<b>DEPARTMENT OF AGRICULTURE</b>		
10.RD	Unknown	\$ 139,842
10.RD	21-PA-11015600-026	5,588
10.RD	MTFO040722_MS	426
<b>DEPARTMENT OF DEFENSE</b>		
12.RD	Unknown	3,993,160
12.RD	169061	93,971
12.RD	313-0742	79,865
12.RD	313-0873	78,906
12.RD	ARM212-MSU/ PO# EP0166321	1,399
12.RD	N/A	7,859
12.RD	SUBK-MSU-VDHWFS2-01-012720	34,779
12.RD	N62473-19-2-0005	149,568
12.RD	SC1812501	12,163
12.RD	W911KB-19-2-1500	716,724
12.RD	W911KB-19-2-1501	52,872
12.RD	W9126G-19-2-0035	25,177
12.RD	W9126G-20-2-0016	163,039
12.RD	W9128F20F0402	259,081
12.RD	W9128F21F0251	547,130
12.RD	W9128F22F0123	2,846
<b>DEPARTMENT OF ENERGY</b>		
81.RD	P010259575	71,271
81.RD	2151826	(19)
81.RD	2183707	71,340
81.RD	20268	20,708
81.RD	2271165	19,341
81.RD	564332	26,225
81.RD	LMS7514	4,991
81.RD	LMS7547	1,609
81.RD	PO 1877920	3,172
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
93.RD	19BCSK0080 (HHSN261201400002B)	69,226
93.RD	HHSN26120170003B, 75N91020F000	118,825
93.RD	75S20320C00001	140,855
93.RD	Unknown	1,902,674
93.RD	7273 POPS V	2,157
93.RD	75N3019C00045 Mod #4	817,026
93.RD	75N93019C00045	73,148
93.RD	75N93019C00045 COVID	240,815
93.RD	75N93019C00045 MOD#8	228,692

**Schedule of Unknown Federal Assistance Listing Numbers  
Research and Development**

	<b>Contract or Grant Number</b>	<b>Amount</b>
93.RD	75N93019C0045	804,580
93.RD	75N93020C00039	1,657,785
93.RD	GENFD0001583403	(64,196)
93.RD	GENFD0002049784	785,739
93.RD	HHSN272201400050C	1,057,372
93.RD	HHSN27220140050C	1,144
93.RD	HHSN272201800048C	2,316,187
 <b>DEPARTMENT OF HOMELAND SECURITY</b>		
97.RD	Unknown	3,917,286
 <b>DEPARTMENT OF JUSTICE</b>		
16.RD	0977-2021-0915	39,451
 <b>DEPARTMENT OF THE INTERIOR</b>		
15.RD	140L619F0285	38,916
15.RD	14L0621F0079	50,753
15.RD	33172.002	57,091
15.RD	33172.005	77,595
15.RD	33172.008	975
15.RD	33172.020	2,786
15.RD	33172.025	30,958
15.RD	33172.028	2,343
15.RD	33172-015	23,864
15.RD	33172-034	8,244
15.RD	50002.006 TO 4	75,624
15.RD	50002/001	13,963
15.RD	50002/001 140L0620F0455	108,350
15.RD	BLM 50002/001 TO 6	69,997
15.RD	BLM 50002/001 TO 7	98,655
15.RD	G-63747-01	151,533
15.RD	L0212A-A	183,348
15.RD	L02226A-A	77,690
15.RD	L02312A-A	48,346
15.RD	L0233A-A	818,966
15.RD	L0246A-A	120,937
15.RD	L0248A-A	55,713
15.RD	N/A	937
15.RD	Unknown	70,939
15.RD	Unknown	841
15.RD	100130	(200)
15.RD	100180	216,704
15.RD	100182	276,068
15.RD	100208	204,328

***Schedule of Unknown Federal Assistance Listing Numbers  
Research and Development***

	<b>Contract or Grant Number</b>	<b>Amount</b>
15.RD	100209	35,999
15.RD	140F0619P0068	49,567
15.RD	140L0619F0248	127,348
15.RD	140L0619F0249	25,606
15.RD	140L0619F0291	50,764
15.RD	140L0619F0292	112
15.RD	140L0619F0302	7,706
15.RD	140L0619F0342	14,884
15.RD	140L0619F0359	6,294
15.RD	140L0619F0360	20,409
15.RD	140L0619F0361	28,570
15.RD	140L0619F0378	51,451
15.RD	140L0620F0263	313,575
15.RD	140L0620F0364	21,705
15.RD	140L0620F0399	314,332
15.RD	140L0620F0500	9,486
15.RD	140L0620F0519	2,749
15.RD	140L0620F0527	256,521
15.RD	140L0621F0361	75,000
15.RD	140L0621F0398	3,137
15.RD	140L0621F0402	16,906
15.RD	140L0621F0499	11,033
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>		
43.RD	1422120	160,270



# AUDITOR'S REPORT & FINDINGS



# AUDITOR’S REPORT AND FINDINGS

## TABLE OF CONTENTS

Independent Auditor’s Report On Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance ..... C-1

Section I–Summary of Auditor’s Results ..... C-21

Section II–Financial Statement Findings ..... C-25

Section III–Federal Award Findings and Questioned Costs ..... C-47

Appendix A–Research and Development Cluster Activity By CFDA# and Location..... C-249

Section II–Financial Statement Findings ..... C-25

**Findings**

2023-1 ..... C-25

2023-2 ..... C-27

2023-3 ..... C-28

2023-4 ..... C-30

2023-5 ..... C-32

2023-6 ..... C-34

2023-7 ..... C-36

2023-8 ..... C-38

2023-9 ..... C-40

2023-10..... C-42

2023-11 ..... C-44

Section III–Federal Award Findings and Questioned Costs ..... C-47

U.S. DEPARTMENT OF AGRICULTURE

**Findings**

2023-001 ..... C-47

2023-002 ..... C-49

2023-067 ..... C-212

2023-079 ..... C-246

U.S. DEPARTMENT OF DEFENSE

**Findings**

2023-003 ..... C-51

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**Findings**

2023-004..... C-53

2023-005..... C-55

2023-006..... C-57

2023-007..... C-60

2023-008..... C-62

U.S. DEPARTMENT OF LABOR

**Findings**

2023-009..... C-64

2023-010 ..... C-66

2023-011..... C-68

## U.S. DEPARTMENT OF TRANSPORTATION

**Findings**

2023-012 .....	C-71
2023-013 .....	C-74
2023-014 .....	C-77

## U.S. DEPARTMENT OF TREASURY

**Findings**

2023-015.....	C-79
2023-016 .....	C-81

## U.S. DEPARTMENT OF EDUCATION

**Findings**

2023-017 .....	C-83
2023-018 .....	C-86
2023-019.....	C-89
2023-020.....	C-91
2023-021 .....	C-94
2023-022 .....	C-97
2023-023 .....	C-100
2023-024 .....	C-102
2023-025 .....	C-104
2023-026.....	C-107
2023-027 .....	C-110
2023-028 .....	C-113
2023-029 .....	C-117
2023-030 .....	C-119
2023-031 .....	C-122
2023-032.....	C-125
2023-033 .....	C-128
2023-034.....	C-130
2023-035 .....	C-132
2023-036.....	C-134
2023-037 .....	C-136
2023-038.....	C-138
2023-039 .....	C-141
2023-040.....	C-143
2023-041 .....	C-145
2023-042.....	C-147
2023-043.....	C-149
2023-044.....	C-151
2023-045.....	C-153
2023-046.....	C-156
2023-047 .....	C-158
2023-067 .....	C-212

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

**Findings**

2023-048.....C-160  
2023-049.....C-162  
2023-050.....C-164  
2023-051.....C-165  
2023-052.....C-167  
2023-053.....C-169  
2023-054.....C-171  
2023-055.....C-174  
2023-056.....C-178  
2023-057.....C-180  
2023-058.....C-183  
2023-059.....C-185  
2023-060.....C-188  
2023-061.....C-191  
2023-062.....C-197  
2023-063.....C-200  
2023-064.....C-203  
2023-065.....C-208  
2023-066.....C-210  
2023-067.....C-212  
2023-068.....C-217  
2023-069.....C-219  
2023-070.....C-222  
2023-071.....C-225  
2023-072.....C-228

U.S. DEPARTMENT OF HOMELAND SECURITY

**Findings**

2023-073.....C-231  
2023-074.....C-234  
2023-075.....C-236

VARIOUS

**Findings**

2023-076.....C-238  
2023-077.....C-240  
2023-078.....C-243



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Legislative Audit Committee  
of the Montana State Legislature:

**Report on Compliance for Each Major Federal Program**

*Adverse, Qualified, and Unmodified Opinions*

We have audited the state of Montana's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the state of Montana's major federal programs for the two fiscal years ended June 30, 2023. The state of Montana's major federal programs are identified in the summary of auditor's results section in the accompanying Schedule of Findings and Questioned Costs.

*Adverse Opinion on the Comprehensive Literacy Development Program*

In our opinion, because of the significance of the matters discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana did not comply in all material respects with the compliance requirements referred to above that could have a direct and material effect on the Comprehensive Literacy Development program for the two fiscal years ended June 30, 2023.

*Adverse Opinion on Title I Grants to Local Educational Agencies*

In our opinion, because of the significance of the matters discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana did not comply in all material respects with the compliance requirements referred to above that could have a direct and material effect on the Title I Grants to Local Educational Agencies program for the two fiscal years ended June 30, 2023.

*Adverse Opinion on the Student Financial Assistance Programs Cluster*

In our opinion, because of the significance of the matters discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana did not comply in all material respects with the compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Programs Cluster for the two fiscal years ended June 30, 2023.

*Adverse Opinion on the Education Stabilization Fund Program*

In our opinion, because of the significance of the matters discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana did not comply in all material respects with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund program for the two fiscal years ended June 30, 2023.

*Adverse Opinion on the CCDF Cluster*

In our opinion, because of the significance and possible effect of the matters discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana did not comply in all material respects with the compliance requirements referred to above that could have a direct and material effect on the CCDF Cluster for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Emergency Rental Assistance Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Emergency Rental Assistance program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the 1332 State Innovation Waivers Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the 1332 State Innovation Waivers program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Section 8 Project-Based Cluster*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Section 8 Project-Based Cluster for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Housing Voucher Cluster*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Housing Voucher Cluster for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the National Guard Military Operations and Maintenance (O&M) Projects Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the National Guard Military Operations and Maintenance (O&M) Projects program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Disaster Grants - Public Assistance (Presidentially Declared Disasters) Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program for the two fiscal years ended June 30, 2023.



*Qualified Opinion on the Unemployment Insurance Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Special Education Cluster (IDEA)*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster (IDEA) for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Child Nutrition Cluster*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the two fiscal years ended June 30, 2023.

*Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Coronavirus State and Local Fiscal Recovery Funds program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Highway Planning and Construction Cluster*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Highway Planning and Construction Cluster for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Immunization Cooperative Agreements Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Immunization Cooperative Agreements program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Adoption Assistance – Title IV-E Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Adoption Assistance – Title IV-E program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Foster Care – Title IV-E Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Foster Care – Title IV-E program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Formula Grants for Rural Areas Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Formula Grants for Rural Areas program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Research and Development Programs Cluster*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Research and Development Programs Cluster for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Temporary Assistance for Needy Families Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Temporary Assistance for Needy Families program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Children's Health Insurance Program*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Children's Health Insurance program for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the Medicaid Cluster*

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the two fiscal years ended June 30, 2023.

*Qualified Opinion on the SNAP Cluster*

In our opinion, except for the noncompliance and possible effect of the matters described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the SNAP Cluster for the two fiscal years ended June 30, 2023.

*Unmodified Opinion on Each of the Other Major Federal Programs*

In our opinion, the state of Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the two fiscal years ended June 30, 2023.

***Basis for Adverse, Qualified, and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the state of Montana and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the state of Montana's compliance with compliance requirements referred to above.

*Matters Giving Rise to Adverse Opinion on the Comprehensive Literacy Development Program*

As described in Findings #2023-039, 2023-040, 2023-041, 2023-042, and 2023-046 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
84.371	Comprehensive Literacy Development	2023-039	Activities Allowed or Unallowed Allowable Costs/Cost Principles Subrecipient Monitoring
		2023-040	Subrecipient Monitoring
		2023-041	Allowable Costs/Cost Principles Eligibility
		2023-042 2023-046	Reporting

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Adverse Opinion on Title I Grants to Local Educational Agencies*

As described in Findings #2023-033, 2023-034, 2023-035, 2023-037, 2023-038, and 2023-047 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
84.010	Title I Grants to Local Educational Agencies	2023-033	Activities Allowed or Unallowed Allowable Costs/Cost Principles
		2023-034 2023-037	Allowable Costs/Cost Principles
		2023-035	Subrecipient Monitoring
		2023-038	Activities Allowed or Unallowed Allowable Costs/Cost Principles Subrecipient Monitoring
		2023-047	Reporting

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Adverse Opinion on the Student Financial Assistance Programs Cluster*

As described in Findings #2023-017, 2023-018, 2023-019, 2023-020, 2023-021, 2023-022, 2023-025, 2023-026, and 2023-027 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Cluster Name	Finding #	Compliance Requirement
84.007 84.033 84.038 84.063 84.268 84.379 93.264 93.342 93.364 93.925	Student Financial Assistance Programs Cluster	2023-017 2023-018	Eligibility
		2023-019 2023-020	Reporting
		2023-021 2023-022 2023-026 2023-027	Special Tests and Provisions
		2023-025	Cash Management

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that cluster.

*Matters Giving Rise to Adverse Opinion on Education Stabilization Fund*

As described in Findings #2023-028, 2023-029, 2023-030, 2023-031, 2023-032, and 2023-045 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
84.425	Education Stabilization Fund	2023-028 2023-029 2023-031 2023-045	Reporting
		2023-030	Cash Management Period of Performance Reporting
		2023-032	Activities Allowed or Unallowed Allowable Costs/Cost Principles Equipment and Real Property Management Subrecipient Monitoring Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Adverse Opinion on the CCDF Cluster*

As described in Findings #2023-059, 2023-060, 2023-061, 2023-064, and 2023-068 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Cluster Name	Finding #	Compliance Requirement
93.575 93.596	CCDF Cluster	2023-059	Subrecipient Monitoring
		2023-060	Special Tests and Provisions
		2023-061	Reporting
		2023-064	Activities Allowed or Unallowed Allowable Costs/Cost Principles Eligibility Special Test and Provisions
		2023-068	Reporting

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that cluster. Additionally, as described in Finding #2023-061 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence to support the state of Montana's compliance with the Matching, Level of Effort, and Earmarking compliance requirement. Consequently, we were unable to determine whether the state of Montana complied with all portions of that requirement applicable to the cluster.

*Matter Giving Rise to Qualified Opinion on the Emergency Rental Assistance Program*

As described in Finding #2023-016 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
21.023	Emergency Rental Assistance	2023-016	Activities Allowed or Unallowed Allowable Costs/Cost Principles Eligibility

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Qualified Opinion on the 1332 State Innovation Waivers Program*

As described in Findings #2023-048 and 2023-049 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
93.423	1332 State Innovation Waivers	2023-048	Procurement and Suspension and Debarment Reporting
		2023-049	Cash Management

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matter Giving Rise to Qualified Opinion on the Section 8 Project-Based Cluster*

As described in Finding #2023-008 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Cluster Name	Finding #	Compliance Requirement
14.195 14.856	Section 8 Project-Based Cluster	2023-008	Cash Management

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that cluster.

*Matters Giving Rise to Qualified Opinion on the Housing Voucher Cluster*

As described in Findings #2023-004, 2023-005, and 2023-007 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Cluster Name	Finding #	Compliance Requirement
14.871 14.879	Housing Voucher Cluster	2023-004	Reporting
		2023-005	Special Tests and Provisions
		2023-007	

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that cluster.

*Matter Giving Rise to Qualified Opinion on the National Guard Military Operations and Maintenance (O&M) Projects Program*

As described in Finding #2023-003 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
12.401	National Guard Military Operations and Management (O&M) Projects	2023-003	Cash Management

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Qualified Opinion on the Disaster Grants - Public Assistance (Presidentially Declared Disasters) Program*

As described in Findings #2023-073 and 2023-074 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	2023-073	Reporting
		2023-074	Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matter Giving Rise to Qualified Opinion on the Unemployment Insurance Program*

As described in Finding #2023-011 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
17.225	Unemployment Insurance	2023-011	Reporting

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Qualified Opinion on the Special Education Cluster (IDEA)*

As described in Findings #2023-043 and 2023-044 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Cluster Name	Finding #	Compliance Requirement
84.027 84.027A 84.027X	Special Education Cluster (IDEA)	2023-043	Activities Allowed or Unallowed Matching, Level of Effort, Earmarking
84.173 84.173A 84.173X		2023-044	Matching, Level of Effort, Earmarking

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that cluster.

*Matter Giving Rise to Qualified Opinion on the Child Nutrition Cluster*

As described in Finding #2023-001 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Cluster Name	Finding #	Compliance Requirement
10.553 10.555 10.556 10.559 10.582	Child Nutrition Cluster	2023-001	Reporting

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that cluster.

*Matter Giving Rise to Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds*

As described in Finding #2023-015 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
21.027	Coronavirus State and Local Fiscal Recovery Funds	2023-015	Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matter Giving Rise to Qualified Opinion on the Highway Planning and Construction Cluster*

As described in Finding #2023-012 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Cluster Name	Finding #	Compliance Requirement
20.205 20.219 20.224	Highway Planning and Construction Cluster	2023-012	Allowable Costs/Cost Principles Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that cluster.

*Matters Giving Rise to Qualified Opinion on the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Program*

As described in Findings #2023-052, 2023-053, 2023-054, 2023-055, and 2023-069 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:



ALN #	Program Name	Finding #	Compliance Requirement
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	2023-052	Cash Management
		2023-053 2023-054	Subrecipient Monitoring
		2023-055	Allowable Costs/Cost Principles Subrecipient Monitoring
		2023-069	Reporting

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matter Giving Rise to Qualified Opinion on the Immunization Cooperative Agreements Program*

As described in Finding #2023-072 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
93.268	Immunization Cooperative Agreements	2023-072	Reporting

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Qualified Opinion on Adoption Assistance – Title IV-E*

As described in Findings #2023-051, 2023-052, and 2023-067 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
93.659	Adoption Assistance - Title IV-E	2023-051	Matching, Level of Effort, Earmarking Reporting
		2023-052	Cash Management
		2023-067	Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Qualified Opinion on the Foster Care – Title IV-E Program*

As described in Findings #2023-056, 2023-057, 2023-067, and 2023-070 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
93.658	Foster Care - Title IV-E	2023-056	Subrecipient Monitoring
		2023-057	Allowable Costs/Cost Principles Subrecipient Monitoring
		2023-067	Allowable Costs/Cost Principles
		2023-070	Reporting

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Qualified Opinion on the Formula Grants for Rural Areas Program*

As described in Findings #2023-013 and 2023-014 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
20.509	Formula Grants for Rural Areas	2023-013	Equipment and Real Property Management Procurement and Suspension and Debarment Subrecipient Monitoring
		2023-014	Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Qualified Opinion on the Research and Development Programs Cluster*

As described in Findings #2023-076 and 2023-077 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Cluster Name	Finding #	Compliance Requirement
Various	Research and Development Programs Cluster	2023-076 2023-077	Equipment and Real Property Management

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that cluster.

*Matters Giving Rise to Qualified Opinion on the Temporary Assistance for Needy Families Program*

As described in Findings #2023-067 and 2023-071 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
93.558	Temporary Assistance for Needy Families	2023-067	Allowable Costs/Cost Principles
		2023-071	Reporting

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Qualified Opinion on the Children’s Health Insurance Program*

As described in Findings #2023-065 and 2023-067 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Program Name	Finding #	Compliance Requirement
93.767	Children’s Health Insurance Program	2023-065	Allowable Costs/Cost Principles Special Tests and Provisions
		2023-067	Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that program.

*Matters Giving Rise to Qualified Opinion on the Medicaid Cluster*

As described in Findings #2023-066 and 2023-067 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Cluster Name	Finding #	Compliance Requirement
93.775 93.777 93.778	Medicaid Cluster	2023-066	Special Tests and Provisions
		2023-067	Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that cluster.

*Matters Giving Rise to Qualified Opinion on the SNAP Cluster*

As described in Finding #2023-067 in the accompanying Schedule of Findings and Questioned Costs, the state of Montana did not comply with requirements regarding the following:

ALN #	Cluster Name	Finding #	Compliance Requirement
10.551 10.561	SNAP Cluster	2023-067	Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for the state of Montana to comply with requirements applicable to that cluster. Additionally, as described in Finding #2023-079 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence to support the state of Montana’s compliance with the Special Tests and Provisions compliance requirement. Consequently, we were unable to determine whether the state of Montana complied with all portions of that requirement applicable to the cluster.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the state of Montana’s federal programs.

***Auditor’s Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the state of Montana’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the state of Montana's compliance with the requirements of each major federal program as whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the state of Montana's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the state of Montana's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2023-062, 2023-075, 2023-067 insofar as it relates to ANLs 84.126, 93.563, and 93.566, and #2023-038 in so far as it relates to ALNs 84.367, 84.365, and 84.424. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the state of Montana's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The state of Montana's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, and listed in the following table, to be material weaknesses.

Finding #	ALN #	Program or Cluster Name	Compliance Requirement
2023-001	10.553, 10.555, 10.556, 10.559, 10.582	Child Nutrition Cluster	Reporting
2023-003	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management
2023-004	14.871, 14.879	Housing Voucher Cluster	Reporting Special Tests and Provisions
2023-005 2023-007	14.871, 14.879	Housing Voucher Cluster	Special Tests and Provisions
2023-006	14.195, 14.856	Section 8 Project-Based Cluster	Eligibility Reporting Special Tests and Provisions
2023-006	14.871, 14.879	Housing Vouchers Cluster	Eligibility Reporting Special Tests and Provisions Activities Allowed or Unallowed
2023-008	14.195, 14.856	Section 8 Project-Based Cluster	Cash Management
2023-011	17.225	Unemployment Insurance	Reporting
2023-012	20.205, 20.219, 20.224	Highway Planning and Construction Cluster	Allowable Costs/Cost Principles Subrecipient Monitoring
2023-013	20.509	Formula Grants for Rural Areas	Activities Allowed or Unallowed Allowable Costs/Cost Principles Equipment and Real Property Management Procurement and Suspension and Debarment Subrecipient Monitoring
2023-014	20.509	Formula Grants for Rural Areas	Subrecipient Monitoring
2023-015	21.027	Coronavirus State and Local Fiscal Recovery Funds	Subrecipient Monitoring
2023-016	21.023	Emergency Rental Assistance	Activities Allowed or Unallowed Allowable Costs/Cost Principles Eligibility
2023-017 2023-018	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264, 93.342, 93.364, 93.925	Student Financial Assistance Programs Cluster	Eligibility
2023-019 2023-020	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264, 93.342, 93.364, 93.925	Student Financial Assistance Programs Cluster	Reporting

2023-021 2023-022	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264, 93.342, 93.364 93.925	Student Financial Assistance Programs Cluster	Special Tests and Provisions
2023-025	84.007, 84.033, 84.038, 84.063, 84.268, 93.264, 93.364, 93.925	Student Financial Assistance Programs Cluster	Cash Management
2023-026 2023-027	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342	Student Financial Assistance Programs Cluster	Special Tests and Provisions
2023-028 2023-029 2023-031 2023-045	84.425	Education Stabilization Fund	Reporting
2023-030	84.425	Education Stabilization Fund	Cash Management Period of Performance Reporting
2023-032	84.425	Education Stabilization Fund	Activities Allowed or Unallowed Allowable Costs/Cost Principles Equipment and Real Property Management Subrecipient Monitoring Special Tests and Provisions
2023-033	84.010	Title I Grants to Local Educational Agencies	Activities Allowed or Unallowed Allowable Costs/Cost Principles
2023-034 2023-037	84.010	Title I Grants to Local Educational Agencies	Allowable Costs/Cost Principles
2023-035	84.010	Title I Grants to Local Educational Agencies	Subrecipient Monitoring
2023-036	84.010	Title I Grants to Local Educational Agencies	Matching, Level of Effort, Earmarking
2023-038	84.010	Title I Grants to Local Educational Agencies	Activities Allowed or Unallowed Allowable Costs/Cost Principles Subrecipient Monitoring
2023-039	84.371	Comprehensive Literacy Development	Activities Allowed or Unallowed Allowable Costs/Cost Principles Subrecipient Monitoring
2023-040	84.371	Comprehensive Literacy Development	Subrecipient Monitoring
2023-041	84.371	Comprehensive Literacy Development	Allowable Costs/Cost Principles Eligibility
2023-042 2023-046	84.371	Comprehensive Literacy Development	Reporting
2023-043	84.027, 84.027A, 84.027X, 84.173, 84.173A, 84.173X	Special Education Cluster (IDEA)	Activities Allowed or Unallowed Matching, Level of Effort, Earmarking
2023-044	84.027, 84.027A, 84.027X, 84.173, 84.173A, 84.173X	Special Education Cluster (IDEA)	Matching, Level of Effort, Earmarking
2023-047	84.010	Title I Grants to Local Educational Agencies	Reporting
2023-048	93.423	1332 State Innovation Waivers	Procurement and Suspension and Debarment Reporting
2023-051	93.659	Adoption Assistance - Title IV-E	Matching, Level of Effort, Earmarking Reporting

2023-052	93.323 93.659	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Adoption Assistance - Title IV-E	Cash Management
2023-053 2023-054	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Subrecipient Monitoring
2023-055	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Allowable Costs/Cost Principles Subrecipient Monitoring
2023-056	93.658	Foster Care - Title IV-E	Subrecipient Monitoring
2023-057	93.658	Foster Care - Title IV-E	Activities Allowed or Unallowed Allowable Costs/Cost Principles Subrecipient Monitoring
2023-059	93.575, 93.596	CCDF Cluster	Subrecipient Monitoring
2023-060	93.575, 93.596	CCDF Cluster	Special Tests and Provisions
2023-061	93.575, 93.596	CCDF Cluster	Matching, Level of Effort, Earmarking Reporting
2023-064	93.575, 93.596	CCDF Cluster	Activities Allowed or Unallowed Allowable Costs/Cost Principles Eligibility Special Tests and Provisions
2023-065	93.767	Children's Health Insurance Program	Allowable Costs/Cost Principles Special Tests and Provisions
2023-066	93.775, 93.777, 93.778	Medicaid Cluster	Special Tests and Provisions
2023-067	10.551, 10.651 93.558 93.658 93.659 93.767 93.775, 93.777, 93.778	SNAP Cluster Temporary Assistance for Needy Families Foster Care - Title IV-E Adoption Assistance Title IV-E Children's Health Insurance Program Medicaid Cluster	Allowable Costs/Cost Principles
2023-068	93.575, 93.596	CCDF Cluster	Reporting
2023-069	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Reporting
2023-070	93.658	Foster Care - Title IV-E	Reporting
2023-071	93.558	Temporary Assistance for Needy Families	Reporting
2023-072	93.268	Immunization Cooperative Agreements	Reporting
2023-073	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting
2023-074	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring
2023-076 2023-077	Various	Research and Development Programs Cluster	Equipment and Real Property Management
2023-079	10.551 10.561	SNAP Cluster	Special Tests and Provisions

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, and listed in the following table, to be significant deficiencies.

Finding #	ALN #	Program or Cluster Name	Compliance Requirement
2023-002	10.542 10.551, 10.561	Pandemic EBT Food Benefits SNAP Cluster	Activities Allowed or Unallowed
2023-009 2023-010	17.225	Unemployment Insurance	Special Tests and Provisions
2023-014	20.509	Formula Grants for Rural Areas	Activities Allowed or Unallowed Allowable Costs/Cost Principles
2023-023 2023-024	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264, 93.342, 93.364, 93.925	Student Financial Assistance Programs Cluster	Special Tests and Provisions
2023-048	93.423	1332 State Innovation Waivers	Subrecipient Monitoring
2023-049	93.423	1332 State Innovation Waivers	Cash Management
2023-050	93.423	1332 State Innovation Waivers	Reporting
2023-058	93.558	Temporary Assistance for Needy Families	Reporting
2023-059	93.575, 93.596	CCDF Cluster	Activities Allowed or Unallowed Allowable Costs/Cost Principles Eligibility
2023-060	93.575, 93.596	CCDF Cluster	Activities Allowed or Unallowed Allowable Costs/Cost Principles Eligibility Subrecipient Monitoring
2023-061	93.575, 93.596	CCDF Cluster	Period of Performance
2023-063	93.575, 93.596	CCDF Cluster	Allowable Costs/Cost Principles Period of Performance
2023-067	93.268	Immunization Cooperative Agreements	Allowable Costs/Cost Principles
	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	
	93.575, 93.596	CCDF Cluster	
2023-078	Various	Research and Development Programs Cluster	Activities Allowed or Unallowed Allowable Costs/Cost Principles Cash Management Period of Performance

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the state of



Montana's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The state of Montana's response was not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

*/s/ Cindy Jorgenson*

Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

August 12, 2024



**State of Montana  
Schedule of Findings and Questioned Costs  
For the Two Fiscal Years Ended June 30, 2023**

**Section I – Summary of Auditor’s Results**

**Basic Financial Statements  
For Each of the Two Fiscal Years Ended June 30, 2023**

	2022	2023
Type of report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	Unmodified
Internal control over financial reporting:		
• Material Weaknesses identified?	Yes	No
• Significant Deficiencies identified?	Yes	Yes
Noncompliance material to the financial statements noted?	Yes	Yes

**Federal Awards  
For the Two Fiscal Years Ended June 30, 2023**

	<u>2022 and 2023</u>
Internal control over major programs:	
• Material Weaknesses identified?	Yes
• Significant Deficiencies identified?	Yes
Type of auditor’s report issued on compliance for Major federal programs:	Unmodified for all major programs except for: <ul style="list-style-type: none"> <li>• Comprehensive Literacy Development Program, Title I Grants to Local Educational Agencies, Student Financial Assistance Programs Cluster, Education Stabilization Fund, and CCDF Cluster, which are adverse.</li> <li>• Emergency Rental Assistance Program, 1332 State Innovation Waivers, Section 8 Project-Based Cluster, Housing Voucher Cluster, Highway Planning and Construction Cluster, National Guard Military Operations and Maintenance (O&amp;M) Projects, Disaster Grants – Public Assistance (Presidentially Declared Disasters), Unemployment Insurance,</li> </ul>

Special Education Cluster (IDEA), Child Nutrition Cluster, Coronavirus State and Local Fiscal Recovery Funds, Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), Immunization Cooperative Agreements, Adoption Assistance – Title IV-E, Foster Care – Title IV-E, and, Formula Grants for Rural Areas, Research and Development Programs Cluster, Temporary Assistance for Needy Families, and Children’s Health Insurance Program (CHIP), Medicaid Cluster, and SNAP Cluster, which are qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes

Identification of major programs:

ALN(s)

10.542

10.551 & 10.561

10.553, 10.555, 10.556, 10.559, & 10.582

12.401

14.195 & 14.856

14.871 & 14.879

15.605, 15.611, & 15.626

17.225

20.205, 20.219, & 20.224

20.509

21.023

21.027

84.010

84.027, 84.027A, 84.027X, 84.173, 84.173A, & 84.173X

84.371 \*\*

84.425

84.007, 84.033, 84.038, 84.063, 84.268, 84.379,

93.264, 93.342, 93.364, & 93.925

93.268

93.323

93.423

Name of Federal Program or Cluster

Pandemic EBT Food Benefits

SNAP Cluster

Child Nutrition Cluster

National Guard Military Operations and Maintenance (O&M) Projects

Section 8 Project-Based Cluster

Housing Voucher Cluster

Fish and Wildlife Cluster

Unemployment Insurance

Highway Planning and Construction Cluster

Formula Grants for Rural Areas

Emergency Rental Assistance Program

Coronavirus State and Local Fiscal Recovery Funds

Title I Grants to Local Educational Agencies  
Special Education Cluster (IDEA)

Comprehensive Literacy Development  
Education Stabilization Fund

Student Financial Assistance Programs  
Cluster

Immunization Cooperative Agreements  
Epidemiology and Laboratory Capacity for  
Infectious Diseases (ELC)

1332 State Innovation Waivers

93.558	Temporary Assistance for Needy Families (TANF)
93.575 & 93.596	CCDF Cluster
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance – Title IV-E
93.767	Children’s Health Insurance Program (CHIP)
93.775, 93.777, & 93.778	Medicaid Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Various	Research and Development Programs Cluster
** High-risk Type B program	

Dollar threshold used to distinguish between Type A and Type B programs: \$29,897,061

Auditee qualified as low-risk Auditee? No



**State of Montana  
Schedule of Findings and Questioned Costs  
For the Two Fiscal Years Ended June 30, 2023**

**Section II – Financial Statement Findings**

**Finding 2023-1:**

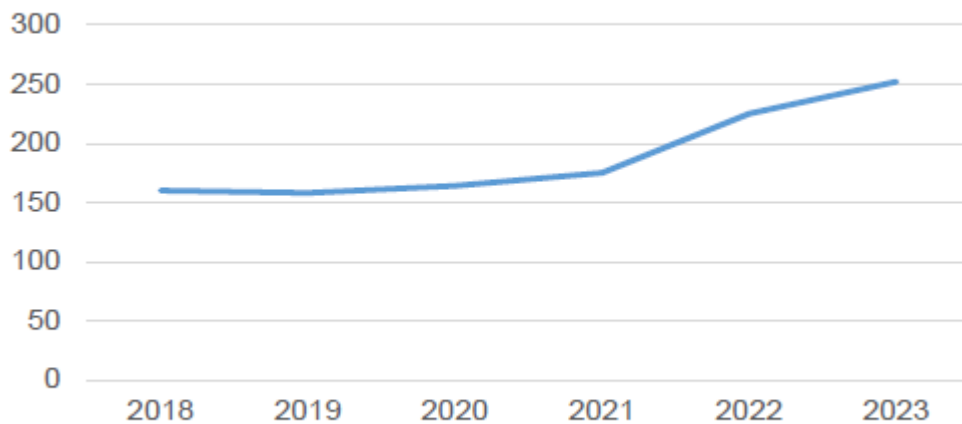
**Criteria:** Federal regulation, 2 CFR 200.512, requires the Single Audit report be issued within nine months of the end of the audit period.

Federal regulations, 2 CFR 200.508 (a) and (b), require the auditee to prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards.

**Condition:** The Department of Administration (department) did not provide audit ready drafts of the fiscal year 2023 Basic Financial Statements and notes (BFS) within a time frame that would have allowed the Independent Auditor to complete the Single Audit on time. While other factors contribute to the State of Montana not meeting the Single Audit deadline, timely reporting is necessary for the State of Montana to meet the Single Audit deadline in future years.

The audit engagement letter requested a final, audit ready, full financial package by January 30, 2024. The department provided its complete reporting package, ready for audit, on March 8, 2024. The time for the department to compile the state’s BFS has been increasing as shown in the figure below.

**Calendar Days After Fiscal Year-End to Prepare Draft Reporting Package**



**Compiled by the Legislative Audit Division.**

**Effect:** The citizens of Montana, legislators, and other users of the financial statements are not able to access Montana’s financial information until almost a year past the June 30, 2023, balance sheet date. Also, it is not possible to make the Single Audit deadline of March 31 if

final versions of the Basic Financial Statements and notes are provided to the Independent Auditor at the beginning of March, such as occurred this year.

**Cause:** A variety of factors contributed to the financial reporting delays:

- During the last several years, experienced staff retired or moved to other positions, leaving less experienced staff at the department and other state agencies.
- As a result of less experienced staff, the department identified more corrections to complex accounting activity. Department controls identified and corrected the errors, but the tasks took longer to complete than in the past.
- New, complex accounting standards related to leases and subscription-based information technology arrangements were implemented this year and during the prior year. Standards implementation takes time and the department reported that it contributed to staff burn-out and turnover, playing a role in the lower experience level discussed above.
- Changes in the state's relationship with component units and related organizations have become more complex, increasing the time it takes to make decisions about their impact on the state's BFS.
- Changes from the 2023 Legislative Session required the department to consider the impact of new activities on financial reporting, such as the income tax and property tax rebates. New State Special Revenue Funds were also created that had to be reclassified to the General Fund for financial reporting to comply with accounting standards.

The department is looking for ways to streamline the Basic Financial Statement preparation process, including a master contract for auditing and accounting that will allow the department and other agencies to procure outside help when needed. For example, a contractor could help with future standard implementation.

**Recommendation:** We recommend the Department of Administration:

- A. Continue to look for ways to streamline the Basic Financial Statements preparation process.
- B. Evaluate resource needs and, if necessary, work with the Legislature to secure the additional resources needed to provide a complete financial reporting package for audit in a timely manner.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action, see the Corrective Action Plan starting on page D-1.



**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section II – Financial Statement Findings**

**Finding 2023-2:**

**Criteria:** Article VIII, Section 15, of the Montana Constitution requires defined benefit public retirement systems to be funded on an actuarially sound basis. To be actuarially sound, a retirement system’s contributions and investments must be sufficient to pay the full actuarial cost of the plan over a scheduled period of time, defined in §19-2-409, Montana Code Annotated (MCA), as no more than 30 years.

**Condition:** Based on the June 30, 2022, actuarial valuations of the defined benefit public retirement systems administered by the Public Employees’ Retirement Board (board) and the Montana Public Employee’s Retirement Administration (MPERA), the following three systems are not actuarially sound, as the amortization periods are more than 30 years.

- Public Employees’ Retirement System (PERS) – 32-year amortization period
- Game Wardens and Peace Officers’ Retirement System (GWPORS) – Does not amortize
- Highway Patrol Officers’ Retirement System (HPORS) – 47-year amortization period
- Sheriff’s Retirement System (SRS) – 33-year amortization period

The PERS, HPORS, and SRS system did amortize within the 30-year period in fiscal year 2021. GWPORS last amortized in fiscal year 2008.

The July 1, 2023, actuarial valuations indicate that all retirement systems amortize within 25 years. The 2023 Legislature passed House Bill 569, which included one-time payments from the state’s General Fund to the HPORS, SRS, and GWPORS systems. These payments and favorable investment market conditions contributed to the improved amortization periods.

**Effect:** The board is not in compliance with the Montana Constitution and state law for fiscal year 2022.

**Cause:** For the June 30, 2022, valuations, the systems remained above the 30-year amortization period primarily due to investment losses and changes in actuarial assumptions.

**Recommendation:** We recommend the Public Employees’ Retirement Board comply with the Montana Constitution and state law by working with the Legislature to restore the four defined benefit plans to actuarial soundness.

**Views of Responsible Officials:** MPERA concurs with this recommendation. For additional information regarding MPERA’s planned corrective action, see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section II – Financial Statement Findings**

**Finding 2023-3:**

**Criteria:** Montana Operations Manual Policy 302(X) states, “To help facilitate statewide compliance with GAAP, State agencies are responsible for implementing internal control procedures.”

Section 17-1-102(4), MCA, requires all state agencies and institutions, to input all necessary transactions in the accounting system before the accounts are closed at fiscal year-end to present the receipt, use, and disposition of all public money and property in accordance with generally accepted accounting principles.

**Condition:** The Department of Natural Resources and Conservation (department) administers the trust land program for the state. As part of this program, the department manages many leases such as those for cabin sites and real estate, which generate revenue for the program. In fiscal year 2022, the department implemented Governmental Accounting Standards Board Statement No. 87 – Leases (GASB 87), which required different accounting treatment for lease activity. The department did not correctly calculate all of its lease activity per the new accounting regulations in fiscal year 2022.

Out of the 12,700 leases the department manages, 470 leases were subject to GASB 87 in fiscal year 2022: 409 cabin, 53 real estate, and eight atypical real estate leases. The department grouped similar leases resulting in 61 calculations completed to determine the financial value of the department’s leases. We reviewed 17 of the 61 calculations and found 14 of the calculations contained errors.

In fiscal year 2023, the department addressed the issue described above and changed how the financial value of leases was calculated to account for the frequency of payments. However, while the calculations were separated out to account for the frequency of payments, in some instances, the interest rate was not adjusted to account for that frequency. In many cases, the annual interest rate was used in the calculation instead of the semi-annual or quarterly interest rate. This resulted in the amount of lease receivable and deferred inflow being incorrect in the calculations.

We also identified some instances in fiscal year 2023 where the wrong interest rate was used for new leases. In these cases, the department used rates in effect from prior years, and not the rate in effect when the lease was initiated, as required by accounting standards.

**Effect:** The department’s controls are not designed to accurately account for all of its lease activity resulting in a \$10,134,888 misstatement in lease receivable and deferred inflows on the accounting records and noncompliance with state law and policy for fiscal year 2022.

For fiscal year 2023, the errors result in a \$20,492,652 misstatement on the accounting records and non-compliance with state law and state policy.

**Cause:** While we found errors in the 2022 calculations where the information used did not match the related lease, many errors were caused by the department calculating the financial value of all leases as if payments were due annually, but the payment terms for many leases were semi-annual or quarterly. The payment terms impact the breakout between interest and principle and principle is a component of the present value calculation. Because the department calculated all leases as if payment terms were annual, the principle amount is inaccurate for leases not on an annual payment term and accounts for a portion of the \$10 million misstatement.

Most of the misstatement identified in fiscal year 2023 is the result of the incorrect interest rate being used. When setting up the calculations the department staff indicated they overlooked this, and the reviews performed did not identify the errors in the calculation.

**Recommendation:** We recommend the Department of Natural Resources and Conservation implement controls to ensure lease calculations are completed in accordance with Generally Accepted Accounting Principles.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan Starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section II – Financial Statement Findings**

**Finding 2023-4:**

**Criteria:** Montana Operations Manual Policy 399(V)(C) states, “Management is responsible for establishing and maintaining an effective internal control system.”

**Condition:** The Department of Labor and Industry’s (department) internal controls were inadequate to ensure its accounting records related to the Unemployment Insurance Fund are complete and accurate for fiscal year 2022. Specifically:

- The department could not explain why it requested federal reimbursements in the Federal Pandemic Unemployment Compensation (FPUC) program that exceeded the amount of benefits paid by approximately \$5.8 million. In addition, money the department receives before it is earned should be recorded as a liability. The department did not record a liability for the excess FPUC reimbursement in fiscal year 2022 and may be subject to returning some portion of the funds back to the federal government.
- The department did not maintain documentation that supported the calculation of the average annual wage for fiscal year 2022. The average annual wage is used to determine minimum and maximum unemployment benefit amounts and helps determine eligibility for unemployment benefits. The calculation uses a point-in-time report containing wage information that changes over time. The department did not keep a copy of the wage report.

Related to the fiscal year-end processes of the department:

- The department used incorrect data to estimate fiscal year 2022 benefits it will pay in future years. Additionally, in the fiscal year 2021 estimate, the department adjusted its method of estimation due to the COVID-19 public health emergency. The temporary adjustment to the methodology produced a fiscal year 2021 estimate that was four times larger than the actual amount paid during the following year. All COVID-19 unemployment programs ended in fiscal year 2021 and therefore have no effect on benefits related to fiscal year 2022. Department management did not alter the methodology in fiscal year 2022 to account for the changes in unemployment insurance programs.
- Management changed the methodology for estimating gross short-term accounts receivable related to benefit overpayments but failed to document the change or the reasoning for the change. In addition, the department did not adjust the historical data used to estimate the short-term accounts receivable to reflect the new methodology.

A financial statement error related to year-end accruals was reported as Finding 2021-02 in our Single Audit for the two fiscal years ended June 30, 2021. Issues related to fiscal year 2022 accruals, as discussed above, were not identified in fiscal year 2023.

**Effect:** Without adequate controls, errors in the accounting records may not be identified and corrected in a timely manner, and unemployment insurance claimants may not receive the correct amount of benefits they are entitled to. Errors identified on state accounting records in fiscal year 2022 were as follows:

- There is an estimated unrecorded liability of \$5.8 million related to the FPUC program.
- The benefit liability accrual was overstated by an estimated \$2.2 million.
- Net short-term accounts receivable for benefit overpayments were overstated by an estimated \$8.7 million.

**Cause:** Department staff did not retain adequate documentation to support federal reimbursements or the calculation of the average weekly wage. Management's decision to deviate from the established fiscal year-end accrual process was not adequately documented, and fiscal year-end procedures were not updated. Documented policies and procedures reduce the risk of noncompliance when the department experiences turnover, which they did in fiscal year 2022.

**Recommendation:** We recommend the Department of Labor and Industry should enhance internal controls and maintain documentation to support amounts on the accounting record in the Unemployment Insurance Fund.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan Starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section II – Financial Statement Findings**

**Finding 2023-5:**

**Criteria:** Montana Operations Manual Policy 399(V)(C) states, “Management is responsible for establishing and maintaining an effective internal control system.”

MOM Policy 375 states, “It is the responsibility of the person approving the accrual to verify that the valid obligation criteria have been met, and to retain adequate supporting documentation.”

**Condition:** The Department of Corrections (department) pays other entities like county detention centers when they house inmates on behalf of the department. We refer to these expenses as room and board. The department did not have adequate controls in place to prevent and detect room and board expenditures misstatements in the state’s General Fund for fiscal years 2021 and 2022. Total room and board expenditures in fiscal year 2022 were over \$75 million.

The department records accruals at fiscal year-end for expenses incurred but not yet paid. We reviewed support for room and board expenditure accruals for fiscal year 2022. These accruals were approximately \$2 million and approximately \$31,500 of the accrual either used an old rate or was unsupported, including \$1,000 in “miscellaneous” expenses in the room and board account where the expenditures were later billed as utilities and postage.

During our room and board expenses sample testing, we found four rate errors out of 63 tested. We tested both fiscal years 2021 and 2022 in the sample. The total population was 3,038 reimbursements. We noted no similar issues in fiscal year 2023.

**Effect:** Without adequate controls like support for accrual estimates and a way to track differing rates, there is risk that errors in the accounting system will not be identified and corrected. In addition, correctional facilities could receive more or less than they are owed. Laws in the 2023 session standardize the rates paid to counties, making the calculation less difficult. However, laws can change every session and the department should update their procedures as needed if changes are made.

**Cause:** The staff reviewing the expenses is knowledgeable and catches errors during review, but there were changes with county payments in fiscal year 2022. House Bill 2 defined a maximum rate to pay counties for room and board expenses in the last few legislative sessions. Because the department was having difficulty getting counties to sign contracts, the department decided not to require contracts with counties and to either pay a rate set by the county via county resolutions or the House Bill 2 maximum rate, whichever was less. Multiple rates make calculating payments difficult, and the department did not document

their decision to replace contracts with county resolutions, making rate support difficult to obtain.

**Recommendation:** We recommend the Department of Corrections strengthen internal controls related to room and board expenditures.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan Starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section II – Financial Statement Findings**

**Finding 2023-6:**

**Criteria:** Montana Operations Manual Policy (MOM) 399 indicates management is responsible for establishing and maintaining an effective internal control system.

MOM Policy 325 indicates management is responsible for establishing and maintaining a system of internal controls over monies received, deposits, and State payments.

**Condition:** As the primary tax revenue collector for the state, the Department of Revenue (department) receives daily payments from various sources, including wires sent directly to the state's US Bank account. The Department of Administration (DOA) receives wire information from US Bank three times a day, uploads it to the state's accounting system, SABHRS, and matches each wire to the individual agency to which it belongs. At this point, the money is in the state's bank account but not recorded on any agency's accounting records in SABHRS. State accounting policy requires agencies to run specific SABHRS reports to identify their assigned wires and create the accounting journal lines. Additionally, agencies must complete the accounting entry and approve it for processing to fully record the deposit in SABHRS; thus making the funds available for expenditure.

Daily, department staff run the required SABHRS report for the current and prior business day and record the deposit for each wire included in the query. The timing of this process varies based on the current workload. We identified eight untimely deposits of wire transfers during fiscal year 2022. As a result, the department's controls were not designed properly to comply with the requirements in state policy for timely deposits of wire transfers. We did not identify similar issues in fiscal year 2023.

**Effect:** Without timely identification of wires received on behalf of the department, there is a risk of revenues not being recorded on SABHRS to the department's credit in the proper fiscal year. One wire crossed the fiscal year-end period in fiscal year 2022, resulting in an approximately \$5.3 million understatement of revenues.

**Cause:** Department staff attributed the delays in the deposits to not being notified by DOA staff of the wires available in SABHRS. If the wire does not show up on their daily report, they wait until DOA directly notifies them of the wire's existence. Once notified, they promptly complete the SABHRS entry.

We considered this information, along with the department's current processes. We do not believe the department's processes are set up to allow them to comply with state policy requirements. The department limits its SABHRS wire report to only the current and prior business day, which will not allow personnel to identify and complete the deposits for wires



that are not immediately assigned to them by DOA. DOA personnel indicated sometimes there is not enough information in the wire to readily attribute it to a specific agency, and it can take time to identify the appropriate agency to which the deposit belongs. However, they do not believe this is what happened in all instances we identified. Additionally, the department's process leaves them vulnerable to timing delays between when the wire is received by US Bank and uploaded to SABHRS.

**Recommendation:** We recommend the Department of Revenue improve internal control procedures to ensure timely recording of received wires in SABHRS.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section II – Financial Statement Findings**

**Finding 2023-7:**

**Criteria:** Per state law, 17-1-102(2), MCA, the Department of Administration (department) is responsible for prescribing and installing a uniform accounting and reporting system for all state agencies. Section 17-1-102(4) requires all transactions necessary to present the receipt, use, and disposition of all money in accordance with generally accepted accounting principles should be input into this system before the accounts are closed at fiscal year-end.

Montana Operations Manual (MOM) Policy 302 indicates state agencies are responsible for implementing internal control procedures.

MOM Policy 399 indicates management is responsible for establishing and maintaining an effective internal control system.

**Condition:** The department's State Financial Services Division (SFSD) maintains a statewide accounting structure with related policies and procedures, processes all payments, and performs bank reconciliations. The division also supports the state's enterprise accounting and budgeting systems. The department ensures the books close at year-end and records certain transactions for all state agencies including pension activity, cash closing entries, and leases implementation activity.

As discussed in greater detail below, we identified an instance where the department did not have sufficient internal controls in place to ensure the activity recorded on behalf of another state agency was accurate and complete at fiscal year-end. Pension activity required by governmental accounting standards is recorded for all state agencies prior to the end of the fiscal year. The department determines the entries made at each agency based on an analysis of the payment sources of pension contributions. The pension journal entries are calculated based on a point-in-time analysis of activity through 10 months of the fiscal year. When making the entries at fiscal year-end 2022, the department split activity across Department of Correction's funds using an inaccurate analysis of payment sources. At the time of the analysis, Department of Corrections made adjusting entries to their financial activity that skewed the analysis. There was no process to review whether the activity recorded at that time was an accurate representation of the activity for the year. We did not identify similar issues in fiscal year 2023.

**Effect:** This resulted in multiple misstatements, ranging from \$2.4 million to \$24.9 million, on the accounting records when the books closed impacting the state's Business-Type Activities opinion unit. These misstatements were corrected as financial statement adjustments as part of preparing the states' basic financial statements.

**Cause:** The SFSD experienced some significant turnover in the last couple years, with few long-term staff remaining with experience in their roles within the SFDS's state accounting bureau.

**Recommendation:** We recommend the Department of Administration enhance internal controls to comply with state law by ensuring all necessary transactions are recorded before the accounts close at fiscal year-end.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section II – Financial Statement Findings**

**Finding 2023-8:**

**Criteria:** Montana Operations Manual (MOM) Policy 302 indicates state agencies are responsible for implementing internal control procedures.

MOM Policy 399 indicates management is responsible for establishing and maintaining an effective internal control system. This includes internal controls over the activity service organizations perform.

**Condition:** The Department of Administration (department) contracts with multiple service organizations and software vendors as part of providing many services to other state agencies and state employees. During our fiscal year 2022 audit of the department, we identified multiple instances related to the Health Care and Benefits Division (HCBD) and State Information Technology Services Division (SITSD) where internal controls related to service organizations and software were insufficient.

A common method to ensure a service organization is meeting its obligations is to obtain an examination of the controls and processes of the service organization. This generally occurs by contracting with a certified public accounting firm that conducts the examination and discusses the results, which are accumulated into a SOC report. A SOC report provides users with assurance over the suitability and effectiveness of the service organization's controls and outlines any complementary controls the department needs to implement as a user of the system. The assurance provided by the SOC report depends on the implementation of those complementary controls, commonly referred to as user entity controls.

We identified the following instances where department controls could be enhanced:

- HCBD manages the state's employee health insurance plans. They contract with several service organizations for enrollment and eligibility management services and medical, dental, or prescription insurance claim administration services. The majority of the state's insurance plan's financial activity is determined through the services these organizations provide. The service organizations HCBD contracts with receive SOC reports. However, the division needs a process in place to obtain the reports or review their contents.
- SITSD implemented a billing platform software during the current audit period. The billing for services provided by SITSD ran through the billing software starting in July 2021. The primary source of revenue for SITSD is charges for services billed through the billing software. The division recorded approximately \$58.9 million in

revenues from these billings in fiscal year 2022. SITSD did not have a process in place to obtain the SOC report for its new billing platform software.

SITSD contracted with a new vendor for online payment processing effective January 2021. The vendor provides payment processing for a variety of state agencies. As required by SITSD's contract with the new payment processor, the vendor shall provide the state with proof the vendor meets or exceeds security requirements through a SOC report. The vendor had not provided a SOC report to the state as of the conclusion of the department's audit.

We did not identify similar issues in fiscal year 2023.

**Effect:** SOC reports are an essential aspect of internal control over services provided by service organizations. By obtaining and reviewing SOC reports, the department would be aware of any deficiencies identified, and other user entity controls the department is responsible for implementing. Additionally, without a SOC report to identify noncompliance with security policies, the state could be at risk of security issues and would not be aware of user controls the department is responsible for implementing related to the new payment processor. These control deficiencies affect the state's Governmental Activities and Remaining Fund Information opinion units.

**Cause:** The three largest insurance claim service organizations receive a legislatively required claims audit every two years in addition to the annual SOC audits. Per department personnel, HCBBD relies heavily on the contracted claims audits of the service organizations to evaluate service organization effectiveness and accuracy. While these audits are important and contain valuable information, they are not a replacement for a SOC report. They do not provide assurance over system processing or include necessary controls for the department to implement such as managing access and ensuring transactions are complete and timely.

SITSD financial staff stated they believed the division's security staff was reviewing the SOC report for the new billing platform. However, the security staff had not reviewed the SOC report as part of their business processes. Additionally, the department requested SOC reports from the payment processor vendor late in the audit period, but had yet to receive one as of the conclusion of the department's audit.

**Recommendation:** We recommend the Department of Administration obtain and review service organization control reports at the State Information Technology Services Division and Health Care Benefits Division.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section II – Financial Statement Findings**

**Finding 2023-9:**

**Criteria:** Montana Operations Manual Policy 399 indicates management is responsible for establishing and maintaining an effective internal control system.

**Condition:** Montana State University’s (university) procedures for preparing its financial statements and note disclosures, including review procedures, did not detect all significant errors in the financial statements and related notes in fiscal year 2022.

The university uses a checklist to ensure the financial reporting package is reviewed by a different staff member than the preparer. We confirmed the university used this checklist while preparing the fiscal year 2022 financial reporting package. While the checklist was effective in ensuring accurate information in much of the financial reporting package, it did not detect or correct the errors in the table below. These errors indicate a need for the university to enhance its review process to identify errors before the audit process. Such review procedures should prompt staff to determine whether line items on the statements are logical and ensure amounts tie to supporting documentation.

We did not identify similar issues in fiscal year 2023.

**Effect:** The table below summarizes the errors in the university’s draft fiscal year 2022 financial statements and notes. The errors in the university’s debt note (Note 10) were identified by university personnel as a result of our staff’s inquires when reported amounts were inconsistent with our understanding of the bond activity. The control deficiency affects the Discretely Presented Component Unit opinion unit, as the information from the university’s financial statements is used to prepare the Component Unit information in the state’s basic financial statements.

**Table of Misclassifications**

Statement of Cash Flows		
	As Initially Reported	Final Reported Amounts
Purchase of Investments	\$ (261,800)	\$ (42,515,986)
Investment Income	\$ (42,269,811)	\$ (15,625)
Note 10 - Non-Current Liabilities and Derivative Instruments		
	As Initially Reported	Final Reported Amounts
Bonds Payable, Net of Discount - Additions	\$ 126,437,171	\$ 127,767,447
Bonds Payable, Net of Discount - Reductions	\$ (93,288,332)	\$ (79,389,804)
Bonds Payable, Net of Discount - Ending Balance June 30, 2022	\$ 188,356,585	\$ 203,585,389
Bonds Payable, Direct Placement - Reductions	\$ -	\$ (15,228,805)
Bonds Payable, Direct Placement - Ending Balance June 30, 2022	\$ 24,333,805	\$ 9,105,000

Source: Compiled by the Legislative Audit Division.

**Cause:** We discussed each of the misclassifications with management during the university's audit. Regarding the error in the Statement of Cash Flows, management agreed with our analysis and corrected the financial statements. They indicated changes in investments that did not occur in previous years contributed to the review process not identifying the misclassification. Regarding the debt note, management indicated the preparer overlooked unusual activity associated with bonds during the fiscal year. Additionally, the reviewer was also new to the note, which contributed to the misclassifications not being identified through the review process. The university also corrected these misclassifications.

The university's controls can be improved to ensure the accuracy and completeness of its financial statements and note disclosures before the audit process. Management stated they have learned their review efforts and the structure/size of their accounting team need an overhaul and investment. Turnover experienced in recent years, the loss of institutional knowledge, and challenges in hiring experienced staff made it difficult for the team to complete all required work. We acknowledge current recruiting and retention challenges associated with the cost of living. Through training or enhancing internal controls, the university may be able to detect and correct errors with existing personnel.

**Recommendation:** We recommend Montana State University improve internal controls and provide training to staff over preparation and review of the financial statements and related notes.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section II – Financial Statement Findings**

**Finding 2023-10:**

**Criteria:** Federal regulation, 2 CFR 200.510 (b), requires the state of Montana to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the financial statements. All Federal awards expended must be reported.

Federal regulation, 2 CFR 200.302, requires the State of Montana to establish financial management systems sufficient to permit the preparation of accurate reports.

Montana Operations Manual Policy 399(V)(C) states, “Management is responsible for establishing and maintaining an effective internal control system.”

**Condition:** The Governor’s Office received Coronavirus State and Local Fiscal Recovery Funds. In our review of the fiscal year 2022 draft SEFA, we identified \$37 million in expenditures, received as a direct grant by the Governor’s Office and transferred to other state agencies to spend, were not reported on the SEFA. While the error was corrected, Governor’s Office’s internal controls were insufficient to ensure grants received at one state entity and subgranted to others were appropriately included on the SEFA. Other state agencies appropriately reported the funds they received as subgrants on the draft SEFAs provided to the Governor’s Office and these were excluded as required to avoid the SEFA reporting the same grant twice. The SEFA should only report the direct grant from the federal government to the state.

The Office of Budget and Program Planning (OBPP) combines all agency information and prepares the state’s SEFA. OBPP did not detect the error in the Governor’s Office SEFA, indicating their internal controls need strengthening.

We did not identify similar items in 2023.

**Effect:** Without the audit process, the final fiscal year 2022 SEFA may have been understated by \$37 million. Additionally, this increases risk of not complying with Single Audit requirements to audit federal programs with activity above the calculated threshold. OBPP corrected the error in the final SEFA.

**Cause:** The Governor’s Office overlooked the need to report the subgranted amounts on their SEFA and OBPP’s controls did not detect the error.

**Recommendation:** We recommend the Governor’s Office and its Office of Budget and Program Planning should strengthen internal controls to ensure the completeness of federal expenditures on the SEFA.



**Views of Responsible Officials:** The office concurs with this recommendation. For additional information regarding the office's planned corrective action see the Corrective Action Plan Starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section II – Financial Statement Findings**

**Finding 2023-11:**

**Criteria:** Federal regulation, 2 CFR 200.510(b)(3) requires the Schedule of Expenditures of Federal Awards (SEFA) to provide total federal awards expended for each individual federal program by its Assistance Listing Number (ALN).

Office of Budget and Program Planning's (OBPP) instructions for preparation of the fiscal year 2022 SEFA indicate the amount of the expenditures should include prior year corrections.

Montana Operations Manual Policy 399 indicates management is responsible for establishing and maintaining an effective internal control system.

Federal regulation, 2 CFR 200.302, requires the State of Montana to establish financial management systems sufficient to permit the preparation of accurate reports.

**Condition:** The Department of Public Health and Human Services (department) did not prevent or detect and correct an error in its SEFA before submitting the document to OBPP for fiscal year 2022.

The department's standard procedures include using a separate account within the federal special revenue fund to record activity for each federal program it administers. During fiscal year 2021, the department co-mingled financial information for its Supplemental Nutrition Assistance Program (SNAP) and Pandemic-Electronic Benefits Transfer (P-EBT) federal programs in a single account within the federal special revenue fund. This resulted in a \$27.6 million error in SEFA information submitted to OBPP for fiscal year 2021. This financial reporting issue was reported as Finding 2021-4 in our Single Audit for the two fiscal years ended June 30, 2021.

The department made prior year corrections to its accounting records in fiscal year 2022. When the department prepared its SEFA information for fiscal year 2022, it made adjustments to its SEFA for the prior year corrections for the P-EBT program but not for the SNAP program.

We did not identify similar issues in 2023.

**Effect:** By not identifying the need to adjust SNAP financial activity for fiscal year 2022, expenditures were understated by \$27.6 million in the SEFA submitted to OBPP. This puts the state at risk for material errors in the consolidated SEFA. Additionally, this increases risk

of not complying with Single Audit requirements to audit federal programs with activity above the calculated threshold. OBPP corrected the error in the final SEFA.

**Cause:** Department staff identified the need to make a SEFA adjustment for the P-EBT program but overlooked the need to make a similar SEFA adjustment for the SNAP program.

**Recommendation:** We recommend the Department of Public Health and Human Services enhance internal controls over financial reporting to ensure prior year adjustments are fully reflected in the SEFA submitted to the Office of Budget and Program Planning.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan Starting on page D-1.



**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-001:** U.S. Department of Agriculture  
 ALN #10.553, 10.555, 10.559, 10.582, Child Nutrition Cluster (COVID-19)  
 Grant #3MT300306, 3MT310376, and 3MT308901

**Criteria:** Federal regulation, 2 CFR 170, Appendix A(I)(a) and (a)(2)(ii), requires non-federal entities to report to the Federal Funding Accountability and Transparency Act (FFATA) reporting system each action that equals or exceeds \$30,000 in federal funds for a subaward to a non-Federal entity. The report should be submitted no later than the end of the month following the month in which the obligation was made.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** During fiscal year 2022 and fiscal year 2023, the Office of Public Instruction (office) did not accurately file any of the required FFATA reports for its subrecipients of the Child Nutrition Cluster (Child Nutrition), as required by federal regulations. The office's internal controls were not sufficient to ensure accurate reporting.

**Questioned Costs:** No questioned costs identified.

**Context:** Child Nutrition payments to Local Educational Agencies (LEAs) are set up differently than other federal programs at the office because their funding is based on meals served monthly, not on predetermined allocation amounts like most federal programs at the office. LEAs are paid monthly based on meals served. During the beginning of fiscal year 2022, the office posted FFATA reports monthly based on actual expenditures. The office stopped posting FFATA report information in the middle of state fiscal year 2022 because they discovered the information was incorrect. The office was reporting the cumulative total for the year thus far each month, not the total for that month. Office staff said they planned to update information at the end of the grant. However, the office did not update fiscal year 2022 FFATA report information during state fiscal year 2023.

Reporting annually conflicts with 2 CFR 170, Appendix A(I)(a) and (a)(2)(ii).

The following describes what the office should have reported versus what was actually reported in fiscal year 2022:

- ALN 10.555: The office reported 143 LEAs totaling \$71,046,572 but should have reported 363 totaling \$78,830,539. This leaves \$7,783,967 not reported.

- ALN 10.582: Nothing was reported but 14 LEAs totaling \$707,459 should have been reported. This leaves \$707,459 not reported.

The table below summarizes activity for the two bullets above.

<b>Summary of Child Nutrition FFATA Report Testing for Fiscal Year 2022</b>					
	Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
# of Items	377	234	Not Tested*	Not Tested*	Not Tested*
Dollar Value	\$78,830,539	\$8,491,426	Not Tested*	Not Tested*	Not Tested*

\* Indicates the items were not tested, because we had already found material noncompliance. We did not quantify what should have been reported in fiscal year 2023 for the same reason.

**Effect:** The office is not in compliance with FFATA reporting requirements, limiting the federal grantor agency's ability to transparently report program activity.

**Cause:** When the office was reporting monthly during fiscal year 2022, reports were inaccurate because the office was reporting the cumulative total for the year thus far each month, not the total for that month. To try to avoid inaccurate reporting for fiscal year 2023, the office determined they would report actual expenditures at the end of the grant award. As a result, there was no information reported for state fiscal year 2023 subawards.

**Recommendation:** We recommend the Office of Public Instruction:

- Enhance internal controls to ensure the accurate and timely submission of FFATA reports.
- Submit FFATA reports in accordance with federal regulations, including correcting the prior reports.

**Views of Responsible Officials:** The office partially concurs with the recommendation. Management believes that many of the issues noted in this finding were the result of communication issues with the FFATA submission system and the USAspending application, which are maintained by the federal government.

**Rebuttal of Views of Responsible Officials:** We considered the office's partial concurrence. As noted above, the office was able to enter information into the federal system, but the information entered was incorrect. The office later determined they would report expenditures at the end of the grant award. The incorrect information entered by the office was not the result of communication issues and the office did not have documentation to support only reporting expenditures at the end of the grant award. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-002:** U.S. Department of Agriculture  
 ALN #10.542, Pandemic EBT Food Benefits (P-EBT) (COVID-19)  
 Grant #Not Applicable

ALN #10.551 and 10.561, Supplemental Nutrition Assistance Program  
 Cluster (SNAP)  
 Grant #Various

**Criteria:** Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Department of Public Health and Human Services (department) did not have sufficient internal controls in place to ensure accounting records for SNAP and P-EBT were accurate and adequate to trace expenditures to each federal program.

**Questioned Costs:** No questioned costs identified.

**Context:** The P-EBT program was established in 2021 in response to the pandemic. When the initial accounting for the program was set up, it was co-mingled with SNAP funds on the accounting records. The department made correcting entries to separate the activity between the P-EBT and SNAP programs. The initial error and subsequent corrections resulted in SEFA misstatements in fiscal years 2021 and 2022. This issue is discussed in finding 2023-11. While we did not identify any reportable errors related to the SEFA in fiscal year 2023, underlying accounting records contained multiple errors due to additional clean-up and numerous correcting entries. As a result of these accounting errors and adjustments, financial activity in both programs was also misstated in both years of the audit period.

Our analysis of the P-EBT and SNAP activity involved a review of revenue and expenditure totals at the end of each fiscal years 2021, 2022, and 2023. We compared ending totals on the accounting records to amounts of benefits issued and settled from a separate system. We did not review the individual accounting transactions made throughout the year. As state accounting policy allows for prior year corrections, we considered the need for correcting entries as part of our analysis. Based on our analysis, we projected the cumulative errors remaining in each program. The table below summarizes these errors in revenue and expenditures at the end of fiscal year 2023.

Activity Type	P-EBT Cumulative Misstatements	SNAP Cumulative Misstatements
Revenues	\$972,258	\$6,667,165
Expenditures	\$486,128	\$32,247,675

As a result of the initial co-mingled funds, the department is not in compliance with federal regulation 2 CFR 200.302 which in part requires the state's financial management system be able to trace expenditures adequately and identify the source and application of funds for each federal program. Department personnel provided additional reports separate from the accounting records that allowed us to distinguish activity by program. Therefore, we do not consider this to be material noncompliance for either PEBT or SNAP.

**Effect:** Without adequate internal control over the accounting for federal programs, the department is at risk of noncompliance with federal regulations. Additionally, since the state uses accounting records to compile the Schedule of Expenditures of Federal Awards (SEFA), corresponding misstatements on the SEFA could impact major federal program determinations. Misstating expenditures could also result in federal revenues drawn in advance of actual expenditures, which doesn't follow federal regulations for reimbursement grants.

**Cause:** Per the department, the initial accounting for P-EBT was not set up correctly and was co-mingled with SNAP due to limited award guidance received. Additionally, the original pandemic-related budget authority was initially insufficient to cover actual issuances and redemptions under the program, resulting in the department using SNAP budget authority until additional P-EBT authorization was obtained. As part of clean-up and corrections for this activity, numerous journal entries were made, resulting in additional errors.

**Recommendation:** We recommend the Department of Public Health and Human Services enhance internal controls to ensure accounting records accurately reflect the financial activity of a federal program.

**Views of Responsible Officials:** The department conditionally concurs with this recommendation. The department disagrees with our position that they were not in compliance with 2 CFR 200.302, as they tracked activity by program in a separate system.

**Rebuttal of Views of Responsible Officials:** We considered the department's conditional concurrence, however, since the system used to track program activity was not the state's financial management system, it is our position that the department's internal controls are not adequate to ensure compliance with 2 CFR 200.302. As such, our recommendation stands.



**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-003:** U.S. Department of Defense  
ALN #12.401, National Guard Operations and Maintenance (O&M)  
Projects  
Grant #W9124V-21-2-1000

**Criteria:** National Guard Regulations (NGR) 5-1, section 3.15 states claims shall be made within 60 days after the basis of the claim is known or should have been known, whichever is earlier.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Department of Military Affairs (department) did not have controls in place to consistently seek reimbursement for the federal portion of O&M grant expenditures in the time period required by federal regulations.

**Questioned Costs:** No questioned costs identified.

**Context:** From July 2021 through February 2023, the department requested \$41 million in reimbursements for the program. We completed a statistical sample of reimbursement requests which covered \$2.7 million of the total. Because each reimbursement includes multiple invoices, we selected a judgmental sample of 46 individual invoices included in the requests totaling \$459,619. The sample was not statistically valid. Of the 46 tested, we found 13 items were requested more than 60 days after the expenditure occurred. Of the sample errors, reimbursement was requested between 4 and 718 days later than the 60 days allowed.

We reviewed an additional 22 reimbursement requests for the remainder of the audit period, from March 2023 through June 2023. We identified two additional late requests. For these items, the billings were 49 and 68 days late.

**Effect:** The department is not in compliance with federal regulations. Requesting reimbursement more than 60 days after the expenditure could result in the federal government denying the reimbursement.

**Cause:** The department did not have adequate controls in place to ensure reimbursement requests were made within 60 days of the expenditure being paid. Additionally, the chief financial officer position has turned over several times in the last three years, there were some

vacant positions during the audit period, and additional full time equivalent (FTE) staff are needed to timely process the volume of department transactions.

The two additional errors noted in the remainder of the audit period were limited to one appendix and primarily the result of program staff not providing the necessary accounting coding to post it earlier.

**Recommendation:** We recommend the Department of Military Affairs:

- A. Enhance internal controls to ensure requests for reimbursement are made within 60 days of the expenditure.
- B. Request reimbursement for expenditures within 60 days of expenditure claims being known or paid.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-004:** U.S. Department of Housing and Urban Development  
 ALN #14.871 & 14.879 Housing Voucher Cluster (COVID – 19)  
 Grant #MT901

**Criteria:** Federal guidance, OMB No. 2577-0282, requires the Public Housing Authority (PHA) to submit a report monthly through the Voucher Management System (VMS). This report includes information such as the unit months leased and the monthly housing assistance payments. The Department of Commerce (department) is the PHA.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department’s controls were insufficient to ensure that monthly reports submitted through VMS were accurate during the audit period, and VMS reports were inaccurate during the audit period.

**Questioned Costs:** No questioned costs identified.

**Context:** The monthly report submitted through VMS requires various information such as the number of unit months leased by voucher type and monthly housing assistance payment. We identified the following errors in the monthly reports:

- In seven reports from July 2021 through December 2021, the number of vouchers for the Veterans Affairs Supportive Housing (VASH) program was incorrect as the department did not include all VASH vouchers in the total. Amounts reported were understated between 38 and 42 vouchers. This is approximately 16% of the reported vouchers.
- The amount of Emergency Housing Voucher (EHV) Program vouchers were understated by 46 vouchers, or 124%, on the January 2023 report.

After identifying the issue during our testing, we communicated these errors to the department. The department indicated it did submit corrections to the reports after we identified these errors. These corrections were made outside the audit period.

**Effect:** The department did not comply with federal reporting requirements, and the information in the monthly report submitted through VMS was inaccurate.

**Cause:** While the reports are reviewed by department staff before submission, the review was insufficient to identify errors in the VMS reports. The department cites turnover in the position

responsible for preparing the reports as contributing to inaccurate reporting during the audit period.

**Recommendation:** We recommend the Department of Commerce:

- A. Enhance internal controls over the preparation and review of monthly reports submitted through the VMS to ensure they are complete and accurate, and
- B. Submit complete and accurate monthly VMS reports.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-005:** U.S. Department of Housing and Urban Development  
 ALN #14.871 & 14.879 Housing Voucher Cluster (COVID – 19)  
 Grant #MT901

**Criteria:** Federal regulation, 24 CFR 982.405(a), requires the Public Housing Authority (PHA) to inspect the unit leased to a family before the initial term of the lease, at least biennially during assisted occupancy, and at other times as needed, to determine if the unit meets the Housing Quality Standards (HQS). The Department of Commerce (department) is the PHA.

Federal regulation, 24 CFR 5.705 (c)(1), requires that a physical inspection shall be conducted no earlier than six months before and no later than six months after the date marking the anniversary of the previous inspections.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department contracts with field agents, such as housing authorities and non-profits, to conduct HQS inspections. We identified instances where the required inspections were either not completed, or not completed in the required timeframe, in fiscal years 2022 or 2023.

The ultimate responsibility for the HQS inspections resides with the department. Since not all inspections were performed, or performed timely, the department's internal controls are insufficient to ensure that HQS inspections are occurring as required by federal regulations.

**Questioned Costs:** No questioned costs identified.

**Context:** During fiscal year 2022 and 2023, approximately 3,300 families participated in the vouchers program each year. All of these are subject to move-in inspections and biennial HQS inspections.

The department conducts monitoring reviews of its field agents to make sure inspections are complete and performed as required. The department also uses a computer system to track when inspections are due. Using this information from the department, we considered overdue inspections. We determined:

- Fiscal year 2022 had 118 overdue inspections.
- Fiscal year 2023 had 120 overdue inspections.
- Approximately 4% of inspections were overdue in both years.
- The most delinquent inspection was approximately six years overdue.

**Effect:** By not completing the required HQS inspections, the department has not complied with federal regulations. When these inspections are not completed, the individuals participating in the program could live in unsafe conditions.

**Cause:** Department staff indicates significant turnover in field agent staff contributed to these late or incomplete HQS inspections. Additionally, there were instances where department staff or field agent staff did not understand the requirements for HQS inspections or were unable to complete the inspections due to various circumstances, such as illness or program participants not showing up to the inspection. The inspections were not rescheduled in these cases but should have been.

**Recommendation:** We recommend the Department of Commerce:

- A. Develop internal controls, including training, to ensure that inspections are completed as required by federal regulations and inspectors understand requirements of federal regulations.
- B. Conduct HQS inspections as required by federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-006:** U.S. Department of Housing and Urban Development  
 ALN #14.195 & 14.856 Section 8 Projects-Based Cluster  
 Grant #MT800

ALN #14.871 & 14.879 Housing Voucher Cluster (COVID – 19)  
 Grant #MT901

**Criteria:** Montana Operation Manual, Information Security Controls Standard, outlines baseline security controls for every state agency to implement for information technology systems they manage. Included among the baseline controls are requirements for developing and documenting a security plan; documentation of access control policies and procedures, including periodic review of user access; and documentation of a formal change management system so that Information Technology (IT) best practices are followed, and controls over computer systems are sufficient.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Department of Commerce (department) uses the Housing Assistance Payment Plan Yearly (HAPPY) system to assist in administering both the Housing Vouchers Cluster program and the Lower Income Housing Assistance - Moderate Rehabilitation Program (Moderate Rehabilitation). The department's controls over HAPPY are insufficient to ensure state information security policy requirements are followed.

**Questioned Costs:** No questioned costs identified.

**Context:** The HAPPY system is used by the department to gather applicant data, maintain the required waiting list, determine eligibility for the programs, monitor whether inspections are occurring, house inspection data, and assist in calculating the monthly housing assistance payment.

We identified the following instances where controls over the HAPPY system need enhancement:

- **Password Requirements** - To log into the HAPPY system, a user must log into two separate applications: a hosting platform and the HAPPY system. The department and the vendor supporting HAPPY shares responsibilities for managing how users log in to each system; however, the department is accountable for ensuring both logins meet state

requirements. State policy contains password complexity and length requirements, periodic password changes, and history requirements so passwords are not reused to mitigate the chances of inappropriate access to the system and the chances that the system would be compromised. We identified noncompliance concerning password requirements and the security of login credentials when new users are added to HAPPY.

- **Login Credential Security** - Login credentials to the hosting platform and HAPPY applications are not securely provided to staff or retained within system documentation. If login credentials are not provided to the employee securely, there is a risk that they could be compromised, and unauthorized individuals could gain access to the system.
  - While HAPPY does force a password change at the initial login, the initial login information is provided in an email. Before the end of May 2023, this email was not encrypted when provided to users.
  - The hosting platform system does not require a password change at initial login. All login information is provided in the same email and work order as the HAPPY login information.
- **Access Reviews** - The department does not perform a formal documented review, at least annually, of user roles and privileges in the system as required by state policy.
  - While reviewing access to the system, we identified two staff members who had more access than needed for their job duties. Department staff indicate this occurred because the roles and privileges of the prior staff member in those positions were copied when setting up the access. However, the former employee had more job duties than the current staff members are currently assigned.
  - In January 2022 the department determined a field agent they contract with had access to perform duties only the department should be performing.
- **Written Policies** - The department does not have written access control or change control policies. As part of controls over systems, the department should have a written policy that addresses purpose, scope, roles, responsibilities, and configuration management. This is especially important as only one staff member currently performs these functions, so having the documented policies would allow other staff members to step into their roles in an emergency.
  - Without a written access policy, there is no consistency in access management and access could be granted inappropriately. This is especially important for the HAPPY system as the system allows for each user to have a customized role. If customized roles are not clearly defined when they are allowed, users could have inappropriate access to the system and could enter inappropriate data.
  - While the department does not actively contribute to the development of the HAPPY system, a written change control policy is important so that the department understands how changes made to the HAPPY system impact the system and data. It is also important for the department to have a documented policy for how the department tests and deploys changes to the system to ensure no unapproved or inappropriate changes are made.
- **Staff Cross-Training** - The agency uses a single IT contact for its access and change management. This single IT contact handles significant responsibilities associated with



system controls, and no alternate staff member could provide the same level of necessary support. While some staff have access roles in HAPPY to perform many, if not all, of the same duties as the IT contact, they are not familiar with the duties, and the responsibilities are not formally documented. As a result, some services, such as granting and removing access, could be unavailable if the IT contact is unavailable for any reason.

- While the IT contact was out of office, there were 5 individuals who did not have access removed timely because staff did not know how to perform that action within HAPPY. Program staff sought help from the system vendor and were able to remove the access, but there was a delay in deactivating the accounts.

**Effect:** Without sufficient controls over the HAPPY system, there is a risk of inappropriate access, improper system functionality, or erroneous data within the system that could affect program operations for the Vouchers Cluster and Moderate Rehabilitation Program. This also resulted in inappropriate access to HAPPY during the audit period and resulted in the federal noncompliance reported in Finding #2023-007.

**Cause:** Department staff indicated system management was primarily handled by the vendor for the HAPPY system. However, the department is responsible for ensuring controls over and within the system comply with state policy and are appropriate to ensure accurate system operation and data integrity even if system management is handled by a vendor.

**Recommendation:** We recommend the Department of Commerce enhance internal controls by:

- A. Updating password requirements for the HAPPY and hosting platform applications to conform with requirements in state policy.
- B. Enhancing security when providing login credentials to users and force password changes at initial login for both the HAPPY and hosting platform applications.
- C. Conducting access reviews at least annually and ensure that all customized permissions are considered and documented during this review.
- D. Developing written policies over system access and change management, and
- E. Cross-training staff in the HAPPY system to avoid delays in granting or removing system access.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-007:** U.S. Department of Housing and Urban Development  
ALN #14.871 & 14.879 Housing Voucher Cluster (COVID – 19)  
Grant #MT901

**Criteria:** Federal regulation, 24 CFR 982.204, requires that except for special admissions, participants must be selected from the Public Housing Authority (PHA) waiting list. The PHA must select participants from the waiting list in accordance with admission policies in the PHA administrative plan. This means that families seeking assistance apply to the program and are placed on the waiting list until a spot in the program is available. The PHA's method of selecting families from the waiting list determines the order in which the families receive assistance. The Department of Commerce (department) is the PHA.

The department's administrative plan (Chapter 4 II.A. Overview) indicates eligible applicants will be placed on the waiting list and sorted according to preference and then the date and time of application. Preferences are given to those transitioning out of institutional settings, at risk of institutionalization, and at serious risk of homelessness.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department did not select participants for the Vouchers program from the waiting list as specified in their administrative plan, indicating the department's controls were insufficient to ensure compliance with federal regulations.

**Questioned Costs:** No questioned costs identified.

**Context:** When there is an opening in the program, the field agent will notify the department that they need applicants selected from the waiting list. The relevant staff at the department then select the applicants and inform the field agent of this so the information gathering can begin. The waiting list is stored and generated in the Housing Assistance Payment Plan Yearly (HAPPY) system. Only the staff at the department responsible for the waiting list should be able to select applicants from this list in the system.

During January 2022, the department became aware of instances where an employee at a field agent was making actual selections from the waiting list, and they were not selecting from the top of the waiting list. After learning of this situation, the department took steps to remedy it and to determine its impact. The department confirmed there were seven instances where applicants

were selected out of order. Because the department has not reviewed access to the HAPPY system for other field agents, this situation could exist for other field agents.

We reviewed access to the HAPPY system and identified two other department staff who had inappropriate access to the waiting list in fiscal year 2023. However, we did not identify instances where these individuals selected applicants from the waiting list. Department controls over HAPPY are addressed in Finding #2023-006.

**Effect:** The department did not comply with federal regulations and its administrative plan. Additionally, seven families had to wait for affordable, safe housing to become available despite being at the top of the waiting list.

**Cause:** The department's controls over selecting from the waiting list and granting system access related to the waiting list were not sufficient to ensure that all applicants were selected as required by the department's administrative plan.

**Recommendation:** We recommend the Department of Commerce:

- A. Continue to enhance and implement controls over selecting applicants from the waiting list.
- B. Ensure access in the Housing Assistance Payment Plan Yearly (HAPPY) system to the waiting list is only granted to those with a business need, and
- C. Select applicants from the waiting list as required by the administrative plan and federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-008:** U.S. Department of Housing and Urban Development  
ALN #14.195 & 14.856, Section 8 Project-Based Cluster  
Grant #MT800

**Criteria:** Federal regulation, 31 CFR Part 205, implements the Cash Management Improvement Act (CMIA). The CMIA requires the state to enter into agreements that prescribe specific methods to draw down Federal funds and make payments via Electronic Funds Transfer (EFT). The details of these methods are included in the annual Treasury State Agreement (TSA) between the state and the Federal government if federal program expenditures are over a set threshold as defined by federal regulations.

For the Section 8 Project-Based Cluster, the fiscal year 2022 TSA requires the Department of Commerce (department) to disburse funds to property owners by EFT so that the settlement date is the first business day of the month, except for January and July when the settlement date is the second business day of the month.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department did not process payments as required by the TSA agreement. Since the department made payments outside of the schedule in the TSA agreement, the department's controls are insufficient to ensure they are following the TSA agreement. Additionally, the department's controls were insufficient to ensure the TSA agreement matched business practice in fiscal year 2022.

**Questioned Costs:** No questioned costs identified.

**Context:** The department provides housing assistance payments to about 80-90 projects each month, averaging over \$2 million in total monthly payments.

The department makes one large payment at the beginning of the month. In fiscal year 2022, 5 of the 12 months had a settlement date not on the first business day of the month. These payments were approximately \$2 million each and were one business day late in most months. Every month, at least one payment was made outside of the initial payments, as the department delayed payment while ensuring all required information was obtained before issuing payment. This practice does not align with the TSA requirements. There were on average three payments made in addition to the initial payment, with March 2022 having five additional payments. These additional payments averaged about \$66,000.

These trends continued into fiscal year 2023, but the Section 8 Projects Cluster is not part of the TSA in fiscal year 2023, so the department has more flexibility in when they can make the payment if they are minimizing the days between the cash draw and cash disbursement.

The timing of payments in fiscal year 2022 does align with the department's Annual Contribution Contract (ACC) with HUD, indicating payments should be made the first business day after receiving the funds from HUD. It also allows for the payment of owners throughout the month if they are late submitting required information. However, this does not match the required payment timing in the TSA, and federal regulations require the TSA to be followed.

**Effect:** The department did not comply with federal regulations or the TSA agreement for fiscal year 2022.

**Cause:** The department's controls are insufficient to ensure the TSA aligns with business practice and the ACC with HUD. This resulted in two different conflicting requirements for how payments were to be made during the audit period. However, the requirements should not have been conflicting as the department should have updated the TSA to align with the requirements in the ACC with HUD.

**Recommendation:** We recommend the Department of Commerce:

- A. Enhance internal controls to ensure payments to landlords are consistent with the Treasury State Agreement.
- B. Distribute payments to landlords in accordance with the Treasury State Agreement.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-009:** U.S. Department of Labor  
ALN #17.225, Unemployment Insurance Program (COVID-19)  
Grant #:

- 23-A60UR000026
- UI-37990-22-60-A-30
- UI-34726-20-55-A-30
- UI-37075-21-55-A-30
- UI-37234-22-55-A-30
- UI-38784-22-55-A-30
- UI-38792-22-55-A-30
- UI-39333-23-55-A-30

**Criteria:** Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Department of Labor and Industry (department), as part of the Benefits Accuracy Measurement (BAM) program, completes investigations of paid and denied unemployment insurance claims to help ensure the accuracy of the unemployment insurance determinations. Federal regulations dictate the number of claims that the department must review weekly, quarterly, and annually. However, during the audit period, the department did not retain evidence of a control being used to monitor the completion of the claim reviews.

**Questioned Costs:** No questioned costs identified.

**Context:** As part of administering the BAM program, the department must draw a weekly sample of paid and denied claims, and complete in-depth investigations to determine if the administration of the unemployment compensation program is consistent with state and federal law. The table below shows the total number of sample reviews required annually. It also shows the regular number usually reviewed and the minimum number required to be reviewed – both weekly and quarterly.

Required Number of BAM Reviews					
Sample Type	Annual Requirement	Regular Weekly Reviewed	Minimum Weekly Required	Regular Quarterly Reviewed	Minimum Quarterly Required
Paid Claims	360	7	5	90	81
Denied Claims	150/450*	3	2	37-38	32
<p>*150 cases each of the three types of denied claims (monetary, separation, and non-separation denials) will be selected each year, for a total of 450 denied claims reviewed.</p> <p>Source: ET Handbook NO. 395, 5<sup>th</sup> Edition, <i>Benefit Accuracy Measurement State Operations Handbook</i></p>					

The department uses a federal reporting system to monitor the status of the BAM reviews and ensure the department is on track to review the required number and types of claims. However, documentation from the federal reporting system demonstrating the department's monitoring of the BAM reviews was not saved and we were unable to verify the federal reporting system was used for monitoring purposes during the audit period. Based on our work, we were able to verify the required number of reviews occurred and, as a result, we did not identify material noncompliance in relation to this control deficiency.

**Effect:** Because the department does not have evidence of a control in place to ensure the completion of the required number of BAM case reviews, the department is at risk of not identifying and correcting errors in a timely manner. In addition, the department is not in compliance with federal regulations requiring recipients of federal funding to maintain effective internal control over the federal award.

**Cause:** Per department personnel, the department utilized the federal system to ensure an adequate number of cases were selected and reviewed but did not consider the need to retain support for, or otherwise document evidence of, monitoring these reviews.

**Recommendation:** We recommend that the Department of Labor and Industry retain evidence of internal controls used for monitoring completion of required BAM case reviews.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-010:** U.S. Department of Labor  
ALN #17.225, Unemployment Insurance Program (COVID-19)  
Grant #:

- 23-A60UR000026
- UI-37990-22-60-A-30
- UI-34726-20-55-A-30
- UI-37075-21-55-A-30
- UI-37234-22-55-A-30
- UI-38784-22-55-A-30
- UI-38792-22-55-A-30
- UI-39333-23-55-A-30

**Criteria:** Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Federal Unemployment Tax Act (FUTA) imposes a federal tax on employers of six percent on the first \$7,000 of employee wages. A tax credit of up to 5.4 percent against this tax liability is available for employers who pay state unemployment insurance (UI) contributions timely. The Department of Labor (department) must annually certify to the federal government the total amount of state UI contributions each employer paid for the employer to receive a credit toward their federal unemployment tax. To certify the information, the department matches its records against tax information provided by the federal government. However, the department has no control in place to ensure this certification is completed by the established deadline.

**Questioned Costs:** No questioned costs identified.

**Context:** During the audit period, to remind them to complete the certification, the department relied on a notification from the federal government that the tax information was available. This tax information is made available several months prior to the due date. Two certifications were due during our audit period. The certification due January 31, 2022, was completed and submitted on January 25, 2022. However, staff missed the notification from the federal government in fiscal year 2023 and failed to complete the certification by the January 31, 2023, deadline. The department had to work with the federal government to reobtain the tax information and match it against the department's records to provide the certification. The department did not complete the certification until March 2, 2023, 30 days after the due date. We do not consider the late submission to be material non-compliance.



**Effect:** By not having adequate controls in place to ensure the certification was completed and submitted timely, the department is not in compliance with federal regulations. If the department does not complete the certification, taxpayers may not receive the tax credit owed to them.

**Cause:** Department personnel indicated that because of the increased workload caused by the department's migration to its new unemployment insurance information system, staff overlooked completing the match when the files were initially received from the federal government.

**Recommendation:** We recommend the Department of Labor and Industry implement internal controls to ensure the required certification over taxpayer information for each calendar year is completed within the deadline established by the federal government.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-011:** U.S. Department of Labor  
ALN #17.225, Unemployment Insurance Program (COVID-19)  
Grant #:

- 23-A60UR000026
- UI-37990-22-60-A-30
- UI-34726-20-55-A-30
- UI-37075-21-55-A-30
- UI-37234-22-55-A-30
- UI-38784-22-55-A-30
- UI-38792-22-55-A-30
- UI-39333-23-55-A-30

**Criteria:** Federal guidance, ETA (Employment and Training Administration) 2112 Handbook, part B, requires the ETA 2112 report to reflect all money received, passed through, or paid out of the state unemployment fund.

Federal guidance, ETA 2112 Handbook, part D, requires that the ETA 2112 report accurately show the net result of all transactions in the three accounts comprising the state unemployment fund.

Federal guidance, ET Handbook No 336, section III(A)(2) requires that the UI-3 report data fairly and accurately represent the utilization of staff time and that data be traceable to supporting documentation.

Federal regulation, 2 CFR 200.334, requires the retention of supporting documents relevant to a federal award for three years.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Department of Labor and Industry (department) does not have sufficient internal controls in place related to the ETA 2112, ETA 2208A (UI-3), and ETA 9050 unemployment insurance program reports, resulting in reporting errors during the audit period.

**Questioned Costs:** No questioned costs identified.

**Context:** The department submits various unemployment insurance (UI) reports to the federal government. Some report financial information while others report performance metrics. We

identified internal control deficiencies related to the preparation of three key reports: the ETA 2112 report, the UI-3 report, and the ETA 9050 report.

- The ETA 2112 report summarizes state UI tax collections, benefits paid, and other transactions affecting the unemployment trust fund. We reviewed all 24 reports submitted during fiscal years 2022 and 2023 and found the 12 submitted in fiscal year 2023 reported incorrect or incomplete benefit account disbursement data. The total disbursements reported in the benefits account deviated from bank data by at least \$387,548, with one month reporting \$3,596,028 fewer disbursements than the bank data. The June 2023 report's ending benefits account balance was 50 percent, or \$6,577,256, higher than the bank's account balance.
- The ETA 2208A report, or UI-3, is a quarterly report that summarizes department staff hours worked and paid in relation to various UI program categories. This information is used by the federal government to help determine the level of funding awarded for administrative costs for the UI program. We completed a sample of the eight reports submitted during fiscal years 2022 and 2023. The sample was not statistically valid. We tested, and found issues with, four of the reports as outlined below:
  - Three reports included employee time allocations that were not approved by the appropriate UI program supervisor.
  - One report used allocations other than those that were approved by the appropriate supervisor.
  - One report did not include all the required employee hours.
  - One report used incorrect prior period data to calculate year-to-date amounts.

In addition, while reviewing supporting information, we identified errors in a fifth report that was not part of our chosen sample. The report contained data that differed from the supported calculation and department staff could not explain where the reported values came from.

- The ETA 9050 report outlines the time it takes the state to pay benefits to claimants for the first week of unemployment. The department's benefit management system produces the data used to populate the report. Every state is required to validate the ETA 9050 data through a process prescribed by the U.S. Department of Labor. The department did not validate the data during fiscal years 2022 and 2023, but it has not done so for many years prior to this time, and it is on a corrective action plan with the federal government as a result.

**Effect:** Due to internal control deficiencies, the department did not comply with federal reporting requirements during fiscal years 2022 and 2023 and reported, in some instances, materially inaccurate information. In addition, not complying with federal reporting requirements could result in reduced funding for the almost \$10 million in administrative costs incurred related to the UI program or result in additional conditions imposed by the federal government.

**Cause:** Based on discussions with department personnel, the following were identified as the cause of the issues for the various reports:

- ETA 2112 report, the department's internal control procedures did not include a reconciliation of reported account balances to the related bank statements.
- ETA 2208A report, the department's procedures did not include an appropriate level of review and approval given the complicated nature of the report.
- ETA 9050 report, the validation process involved technical difficulties and the department lacked resources to address the issue. During the audit period, resources were directed at migrating to a new benefits management system where the validation issue will be addressed. However, the department did not have another control in place to verify the accuracy and completeness of the ETA 9050 report data in the interim.

**Recommendation:** We recommend the Department of Labor and Industry:

- A. Improve internal controls over the preparation of key Unemployment Insurance program reports, and
- B. Report accurate and complete report data on key Unemployment Insurance program reports as required by federal rules and regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-012:** U.S. Department of Transportation  
 ALN #20.205, 20.219, 20.224, Highway Planning and Construction Cluster  
 (COVID-19)  
 Grant #Not applicable

**Criteria:** Federal regulation, 29 CFR 5.5, requires certified payrolls be submitted for each week in which any contract work is performed.

Federal regulation, 29 CFR 5.6, indicates no payment be made if the contractor and its subcontractors are not in compliance with the provisions of 29 CFR 5.5.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. This establishes an expectation that the Montana Department of Transportation (department) will have internal controls to ensure contractors and subcontractors comply with wage rate requirements.

**Condition:** The department's internal controls were insufficient to ensure certified payrolls were received from all contractors weekly and prior to making monthly contractor payments, as required by federal regulations.

**Questioned Costs:** While we did not identify known questioned costs, we project likely questioned costs of more than \$25,000. These likely questioned costs are based on the active project testing and the likelihood that payments went out before the department received the required certified payrolls prior to payment. This impacts ALN # 20.205 Highway Planning and Construction Program.

**Context:** As work is completed on highway construction projects, Daily Work Reports (DWR) are completed by department staff. These DWRs are required for each day contract work is being performed and include a list of each contractor performing work on site that day. Completing this information in the department's construction and materials system (system) triggers a notification for the contractor or subcontractor to submit weekly certified payroll information.

Contractors are paid monthly based on information in the system submitted and verified by the 25<sup>th</sup> of the previous month. In order for the contractor to be paid, the DWRs must be complete. The DWR functionality is not currently utilized by department staff to ensure certified payroll data has been received prior to payment.

*Active Project Testing*

As part of the current audit, we completed a sample of 17 of 158 active projects and reviewed

them for completeness of DWRs. This sample was not statistically valid. Each project had multiple DWRs completed during the month we reviewed. We identified 10 projects that contained DWR errors within the month tested for that project. Within those 10 projects, we identified 54 errors indicating department personnel do not consistently or fully complete DWRs on days construction work was performed. Because certified payroll submission is required weekly, we defined timely completion of the DWR as within six calendar days of work. Our testing identified:

- 20 DWRs completed 7 to 10 days past the construction date,
- 16 DWRs completed 11 to 15 days past the construction date, and
- Eight DWRs completed 16 or more days past the construction date.

Of the DWRs completed more than 16 days past the construction date, four were completed 27 days after construction took place. These four late submissions resulted in the contractor not being paid timely as the DWR was completed after the 25<sup>th</sup> of the month which is the cutoff date for contractor payments.

Additionally, late DWR completion resulted in untimely certified payrolls submissions. In eight of the active projects sampled, a total of 24 weekly certified payrolls were not received before the contractor payments, contrary to federal regulation.

Delinquent payroll notifications within the system rely on the field inspectors' completion of the DWRs. The delinquent payroll notifications cannot be effective if the contractor section of the daily work report is incomplete or untimely. Additionally, without tracking when the contractors are onsite, the department cannot ensure compliance with certified payroll requirements before issuing the monthly contractor payments.

#### *Closed Project Testing*

As reported in the prior audit finding #2021-002, we previously identified noncompliance with final contractor payments being issued without the certified payrolls for all weeks being obtained. As part of this audit, we completed a sample of 19 of 181 projects completed during the audit period and determined all certified payrolls were received by project close. This sample was not statistically valid.

**Repeat Finding:** This is a repeat finding and has been reported as Single Audit findings 2017-028, 2019-026, and 2021-002 in the audits for the two fiscal years ending June 30, 2017, June 30, 2019, and June 30, 2021, respectively.

**Effect:** These untimely or incomplete certified payroll submissions constitute noncompliance with federal regulations. Further, the department is in noncompliance with federal regulations requiring the withholding of payment until certified payrolls are submitted. Additionally, there is risk the department will not identify instances where contractors or subcontractors are not paying prevailing wages.

**Cause:** While the system was implemented for all new projects let from October 2019 forward, the use of the system features is still not consistent across all project managers or districts,

indicating additional training is necessary. For the certified payroll module to work, the department personnel must complete DWRs timely and fill in the contractor and subcontract performing on the day reported. The department's internal control manual and requirements for project managers do not ensure compliance with federal certified payroll requirements. Department policy and procedure do not define when DWRs should be completed.

**Recommendation:** We recommend the Montana Department of Transportation:

- A. Modify requirements in the department's policy and procedures for daily work reports to define timely completion and require complete submission to assist with receipt of certified payrolls prior to payment.
- B. Provide training to department personnel regarding the use and system functionality of the daily work reports to enhance compliance with federal compliance requirements over certified payrolls.
- C. Obtain and review certified payrolls from contractors and subcontractors prior to payment, as required by federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-013:** U.S. Department of Transportation  
ALN #20.509, Formula Grants for Rural Areas (COVID-19)  
Grant #MT-2022-022-00 and MT-2023-011-00

**Criteria:** Federal regulation, 2 CFR 200.317, requires the Montana Department of Transportation (department) to follow state procurement policy when procuring property and services with federal funds.

Federal regulation, 2 CFR 200.403, indicates costs must meet certain criteria to be allowable, such as being consistent with policies and procedures that apply uniformly to both federally and state financed activities of the department.

Federal regulation, 2 CFR 200.332(d), requires the state to perform monitoring of subrecipients sufficient to ensure subrecipients have complied with federal requirements.

Federal regulation, 2 CFR 200.313(d), requires the department to maintain accurate property records and have adequate internal controls to safeguard equipment purchased with federal funds.

State policy in the Montana Operations Manual (MOM) policy requires all procurements either have a purchase order or contract. The purchase order or contract must include all elements negotiated and required for the purchase.

Department policy and procedures require an inspection on each received vehicle be documented by a post-delivery certification.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department's internal controls did not ensure vehicle procurement, funded by federal funds, followed state policy and procedures. Further, the department did not adequately review and monitor vehicle records to ensure compliance with federal requirements.

**Questioned Costs:** We question \$37,990 of costs charged to the program related to the vehicle purchase made without a contract.

**Context:** In administering the Formula Grants for Rural Areas program, the department provides capital grants to subrecipients for purchase of equipment. The department utilizes a data processing system to obtain and store information from the subrecipients to assist in monitoring



compliance with various requirements of the program. We reviewed the system information regarding equipment records, procurements, and subrecipient monitoring for the subrecipient's equipment and procurement federal requirements.

We sampled five of the department's 15 vehicle purchases as part of our audit. This sample was not statistically valid. Our review identified:

- Three purchases did not contain evidence of post-delivery certifications.
- One purchase with inaccurate vehicle information in the system.
- One purchase without a contract, totaling \$37,990.

The information maintained in the system is necessary to demonstrate compliance with federal procurement and equipment requirements. We analyzed the population of 127 vehicle records in the system and identified the records did not contain all the elements necessary to track and monitor vehicles purchased with federal funds properly. We conducted a sample of 23 vehicle records. The sample was not statistically valid. Our sample identified:

- 11 vehicle records did not contain complete and accurate system information, including inaccurate VIN numbers and the condition of vehicle at time of inspection.
- Three vehicles did not contain mileage reported. This information is used during the department's biennial inspections of subrecipient fleet vehicles to determine reasonableness of mileage reimbursements.

**Repeat Finding:** This is a repeat finding and was reported as Single Audit finding #2021-003 in the audit for the two fiscal years ended June 30, 2021.

**Effect:** The department is not in compliance with state procurement policies and procedures. Additionally, the vehicle purchased without a contract resulted in questioned costs which the department may be required to repay to the federal government. Failure to complete post-delivery certifications may mean vehicles do not meet program specifications.

**Cause:** The post-delivery certifications were overlooked by staff who completed the vehicle inspections at the time of delivery. Further, staff turnover and lack of necessary training contributed to the internal control deficiencies and noncompliance.

**Recommendation:** We recommend the Montana Department of Transportation:

- A. Enhance internal controls and provide training to staff to ensure vehicle procurements follow state policy to comply with federal requirements.
- B. Enhance internal controls and provide training to staff to ensure information maintained in the system is complete and accurate.
- C. Comply with state procurement policy by using a contract agreement for all vehicle purchases.
- D. Complete and submit the post-delivery certifications, as required by department policy.
- E. Review and update the system vehicle records to ensure they are complete and accurate.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-014:** U.S. Department of Transportation  
 ALN #20.509, Formula Grants for Rural Areas (COVID-19)  
 Grant #MT-2022-022-00 and MT-2023-011-00

**Criteria:** Federal regulation, 2 CFR 200.332, specifies the 14 required elements to communicate to subrecipients, the requirements for risk assessments, and monitoring during and after the award to ensure subrecipient compliance.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Montana Department of Transportation (department) did not ensure subrecipients of the Formula Grants for Rural Areas program funds were provided required information to identify their subaward or consistently assess and respond to risk levels for subrecipients, contrary to federal regulations. Previously reported internal control deficiencies continue to require improvement.

**Questioned Costs:** No questioned costs identified.

**Context:** The department provides operating and capital grant awards to subrecipients. The department's 44 subrecipients include local government transit authorities, nonprofit organizations, and operators of public transportation or intercity bus services. As part of our audit, we conducted two samples to review various subrecipient monitoring requirements including award notification, risk assessment, and subrecipient reviews. Neither sample was statistically valid.

In our sample of eight subrecipients that received federal funding during the audit period, we determined:

- The department did not assess a risk level or perform post-award monitoring for two subrecipients.
- The department, after assessing a higher level of risk to one subrecipient, did not conduct increased monitoring. Department policy requires staff perform additional reviews of all the subrecipient's quarterly reports when higher risk levels are assigned.

In our second sample, we reviewed five of 15 vehicle purchases made during the audit period. We determined two contracts did not contain the 14 elements, which include award identification and requirements, the department is required to communicate to subrecipients.

**Repeat Finding:** This is a repeat finding and was reported as a Single Audit finding 2021-004 in the audit for the two fiscal years ended June 30, 2021.

**Effect:** Without efficient internal controls over compliance to ensure all elements of subrecipient monitoring are followed, the department is noncompliant with federal regulations. Additionally, noncompliance with subrecipient monitoring could result in undetected noncompliance on the part of the subrecipients and potentially unidentified questioned costs.

**Cause:** Department staff identified turnover and the need for training as reasons for the internal control deficiencies and noncompliance.

**Recommendation:** We recommend the Montana Department of Transportation:

- A. Enhance internal controls and provide training to staff to ensure subrecipient monitoring is completed following department policy and procedure and federal subrecipient monitoring requirements.
- B. Perform and document risk assessments for subrecipients.
- C. Perform enhanced monitoring in response to higher assessed subrecipient risk levels.
- D. Include required elements in subaward agreements for vehicle purchases.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-015:** U.S. Department of the Treasury  
 ALN #21.027, Coronavirus State and Local Fiscal Recovery Funds  
 (COVID-19)  
 Grant #SLFRP1747

**Criteria:** Federal regulation, 2 CFR 200.332, requires pass-through entities, as part of subrecipient monitoring, to evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate monitoring. The activities of the subrecipient must then be monitored as necessary to ensure compliance. Pass-through entities are also responsible for verifying every subrecipient that expends \$750,000 in federal awards in a fiscal year is audited. Non-federal entities are required to follow up on and resolve any findings pertaining to the federal award identified by these audits.

Federal regulation, 2 CFR 200.303, requires non-federal entities to, among other things, establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Department of Natural Resources and Conservation (department) did not have sufficient controls to ensure every subrecipient receiving State and Local Fiscal Recovery Fund (SLFRF) grant funds was evaluated for risk of noncompliance or reviewed for the applicability of single audit requirements, as required by federal regulations.

**Questioned Costs:** No questioned costs identified.

**Context:** As part of administering the SLFRF program, which was a new grant program for the department, subawards were made to local governments to improve drinking water access and support wastewater and stormwater infrastructure. We sampled 45 of 655 grant expenditure transactions totaling approximately \$18.5 million. The sample was not statistically valid. We reviewed the subawards to determine if department controls were effective and if the department complied with program requirements. We found six local governments, affecting seven subawards, where the department did not obtain all information necessary to complete their risk assessments. In addition, due to the missing information on the risk assessments, the applicability of single audit requirements was not determined for those six local governments.

**Effect:** Due to internal control deficiencies, the department did not comply with all subrecipient monitoring requirements for fiscal years 2022 and 2023. In addition, not establishing monitoring procedures based on a subrecipient’s risk level increases the risk of funds being used for

unallowable costs, also increasing the department's risk of noncompliance with other federal regulations.

**Cause:** Based on our work and discussions with department staff, processes were in place to gather the necessary data, evaluate risk, and to determine the applicability of single audit requirements. However, these processes relied on subrecipient participation in a survey. If a survey was not returned, the risk assessment process remained incomplete, and the applicability of single audit requirements were not determined. The department did not establish procedures to address unreturned surveys.

**Recommendation:** We recommend the Department of Natural Resources and Conservation:

- A) Enhance internal controls to ensure every subrecipient is evaluated for risk of noncompliance and reviewed for the applicability of single audit requirements.
- B) Perform all subrecipient monitoring activities as required by federal regulations.

**Views of Responsible Officials:** The department partially concurs with this recommendation. The department disagrees with the interpretation that subrecipient monitoring activities must occur within a specified time period and believes controls were in place during the audit period. In addition, because the department's policy is to assign every subrecipient the same risk level until an assessment is completed, it believes it is following subrecipient monitoring requirements.

**Rebuttal of Views of Responsible Officials:** We considered the department's partial concurrence. Assigning all subrecipients a common risk level is not the same as evaluating each subrecipient's risk for the purpose of determining appropriate subrecipient monitoring. In addition, the department is subject to federal time requirements specific to monitoring subrecipient single audit reports. The subrecipient's risk of noncompliance and single audit requirements are only documented as part of the risk assessment process, which was not completed for six subrecipients tested. In addition, four of the grants closed without this process being completed. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-016:** U.S. Department of the Treasury  
 ALN #21.023, Emergency Rental Assistance (COVID-19)  
 Grant #ERA-0425 (ERA 1) ERA-E0032 (ERA 2)

**Criteria:** The Consolidated Appropriations Act, 2021, section 501, and the American Rescue Plan Act of 2021 (ARPA), section 3201, established the Emergency Rental Assistance (ERA) program and indicate who is eligible, including income thresholds, and that the recipient must be facing housing instability. They must have experienced a direct or indirect financial hardship due to the COVID-19 pandemic. This includes reduced income, receiving unemployment benefits, and past due rent and utilities.

In addition, Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Department of Commerce (department) received funding from the Federal government through the Consolidated Appropriations Act of 2021, and the American Rescue Plan Act of 2021 (ARPA) to establish the ERA Program. This program aided with housing and utility costs for those facing housing instability if they were impacted by the COVID-19 pandemic.

Federal guidance allowed the department to receive a self-attestation about whether an applicant experienced a direct or indirect COVID financial hardship. While reviewing a sample of applicants from the ERA program, we determined that individuals received benefits despite the fact they self-attested that they did not experience a direct or indirect financial hardship due to COVID.

Because the department did not identify these instances until our audit, the department's controls were not sufficient. The department did perform a multi-level review of all applications, but that review did not catch these situations before assistance was paid to the individuals.

**Questioned Costs:** We identified \$154,648 in questioned costs.

**Context:** The department has provided housing assistance to approximately 20,000 individuals. We performed a statistically valid sample of 45 individuals. Through the sample, we identified one recipient who did not meet eligibility requirements as they self-attested that they did not have a COVID hardship.

To determine the extent of the issue, we obtained data from the department of all applicants who had a self-attestation indicating they did not experience a COVID hardship. Using this data, we found that 22 applicants received assistance despite indicating they had not experienced a financial hardship due directly or indirectly to COVID. These applicants were paid a total of \$154,648 during the audit period.

The department was unaware of the issue until we brought it to their attention. The agency stopped taking applications for this program on March 24, 2023, and the last application was processed in September 2023.

Since learning of this issue, the department has indicated they confirmed the individuals who received assistance did experience financial hardship due to the COVID pandemic. However, this information was not available or documented in the application information when assistance was provided.

**Effect:** The department is not in compliance with federal regulations, and we have identified questioned costs for this program.

**Cause:** The department's controls over the ERA program were inadequate to prevent noncompliance with federal requirements. The department indicates that they had a large number of applications to process quickly, along with quickly changing federal guidance. As a result, these instances were not prevented or detected and corrected in a timely manner.

**Recommendation:** We recommend the Department of Commerce:

- A. Develop controls to comply with federal requirements.
- B. Comply with federal requirements for all new federal programs.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.



**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-017:** U.S. Department of Education  
 ALN #84.007, 84.033, 84.038, 84.063, 84.268, Student Financial Assistance  
 Cluster (COVID-19)  
 Grant #Various

U.S. Department of Health & Human Services  
 ALN #93.264, 93.364, 93.925, Student Financial Assistance Cluster  
 Grant #Various

**Criteria:** Federal law, 20 USC 108711, dictates what is to be included in the Cost of Attendance calculations. Additionally, it states that for less than half-time students (as determined by the institution), it only includes tuition and fees and an allowance for:

- (A) Books, supplies, and transportation, (as determined by the institution)
- (B) Dependent care expenses, and
- (C) Room and board costs.

Federal regulation, 34 CFR 668.24(a)(3), requires institutions to maintain any program records that document its administration of the Title IV Higher Education Act (HEA) programs in accordance with all applicable requirements.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Internal controls at Montana State University (MSU) were insufficient to ensure review and approval of the cost of attendance (COA) calculations by someone not involved in creating it. Additionally, Montana State University – Northern (MSU Northern) and Great Falls College – Montana State University (Great Falls College MSU) did not have supporting documentation for some amounts used in the calculations, and MSU Northern included one unallowable item in the calculation.

**Questioned Costs:** No questioned costs identified.

**Context:** MSU comprises four campuses: Montana State University – Bozeman (MSU Bozeman), Montana State University – Billings (MSU Billings), MSU Northern, and Great Falls College MSU. Each campuses' financial aid office calculates and awards financial aid to students based on the COA and the individual's expected family contribution. The COA typically includes:

- Tuition and fees;
- Allowance for books, supplies, transportation, and miscellaneous personal expenses;
- Allowance for room and board; and
- Allowances for dependent care, study abroad, cooperative education, disability-related costs, and student loan fees (where applicable).

Each campus uses slightly different methodologies to create the COA, incorporating historical costs, estimated tuition and fee increases, meal plan and local rent averages, and consumer price index increases. Different COAs are established for various student categories: resident vs. nonresident, off-campus vs. on-campus, graduate, undergraduate, and full-time vs. part-time.

To award aid in the spring, all COAs are calculated in the preceding winter. For instance, the COAs for the 2022-23 academic year (August 2022 through June 2023) were calculated between January and March 2022. During our audit, we tested the COAs for evidence of review by someone not involved in creating it. The results are summarized in the table below.

Campus	Cost of Attendance Calculation Reviewed		
	Academic Year 2021-22	Academic Year 2022-23	Academic Year 2023-24
MSU Bozeman	✘	✓	✓
MSU Billings	✘	✘	✓
MSU Northern	✘	✘	✓
Great Falls College MSU	✘	✓	✓

The lack of a documented review of the COAs was a prior audit recommendation. Campus staff worked to update their processes to ensure the reviews were documented in the fall of 2022. As noted in the table above, we reviewed the COAs completed after the changes in winter 2023. We found the COAs consistently contained documentation of review by a staff member not involved in creating them. If the campuses continue to follow these new processes, this issue should be resolved.

We performed a sample of 32 of the 1,361 total COAs for the academic years 2021-22 and 2022-23. This sample was for all eight Montana University System campuses, comprised of four University of Montana (UM) campuses and four MSU campuses, and was not statistically valid. The noncompliance identified for the MSU campuses is summarized below, and the noncompliance for the UM campuses is summarized in finding 2023-018.

**MSU Northern** did not have adequate support to determine if the amounts used for Room & Board and Miscellaneous expenses for the 2021-22 and 2022-23 academic years were reasonable. We tested two COAs from both academic years during the audit period. Three of the four COAs tested did not have adequate support for Room & Board expenses; while all four COAs tested did not have adequate support for the Miscellaneous expenses used. Without proper documentation, we cannot determine if the Room & Board and Miscellaneous expenses included in the COA are reasonable. In addition, Miscellaneous expenses were included in the 2022-23 COA for less than half-time students. While Miscellaneous expenses are generally allowed per the Student

Financial Aid Handbook, they are not allowed in COAs for students attending less than half-time.

**Great Falls College MSU** did not have adequate support for the amounts used as the Books and Other Living expenses in the 2021-22 and 2022-23 COAs. We tested two COAs for each of the award years. Each COA contained a books expense that, while allowable and appearing reasonable, did not have support. Additionally, while the campus had documented amounts justifying increases in Other Living expenses, they did not have support for the base amounts used.

**Repeat Finding:** Montana's Single Audit for the two fiscal years ended June 30, 2021, included a recommendation (#2021-025) to each campus of Montana State University to document its internal controls over calculating the of Cost of Attendance.

**Effect:** Unallowed and unsupported items were included in the 2021-22 and 2022-23 COA calculations at MSU Northern and Great Falls College MSU. This could result in students receiving an incorrect amount of financial aid. The MSU campuses did not comply with federal COA regulations. Additionally, without effective internal controls that ensure the Montana State University campuses are managing federal awards according to federal statutes and regulations, they are not in compliance with the federal requirement to maintain effective internal control over federal awards. Finally, the campuses could be fined by the Department of Education for not following the administrative requirements for the Student Financial Aid programs.

**Cause:** This was a finding in the prior audit report issued in summer of 2022. By that time, the COA had already been completed for academic years 2021-22 and 2022-23, and thus, the campuses did not have time to implement any changes for the COAs calculated for the academic years covered during the audit period. Additionally, internal controls over the 2021-22 and 2022-23 COA calculations were insufficient to ensure the calculations were fully documented and supported, and only included allowed items at MSU Northern and Great Falls College MSU.

**Recommendation:** We recommend:

- A. Each campus of Montana State University continue to implement internal controls to ensure the COA calculations are fully documented and supported and only include allowed items.
- B. MSU Northern and Great Falls College MSU comply with federal requirements governing the Student Financial Assistance programs by retaining required supporting documentation for the COA calculations.
- C. MSU Northern comply with federal requirements governing the Student Financial Assistance programs by only including allowed items in the COA calculations.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-018:** U.S. Department of Education  
ALN #84.007, 84.033, 84.038, 84.063, 84.268, 84.379, Student Financial  
Assistance Cluster (COVID-19)  
Grant #Various

U.S. Department of Health & Human Services  
ALN #93.342, Student Financial Assistance Cluster  
Grant #Various

**Criteria:** Federal law, 20 USC 10871l, dictates what is to be included in the Cost of Attendance calculations.

Federal regulation, 34 CFR 668.24(a)(3), requires institutions to maintain any program records that document its administration of the Title IV Higher Education Act (HEA) programs in accordance with all applicable requirements.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Internal controls at three of the University of Montana (UM) campuses were insufficient to ensure review and approval of the cost of attendance (COA) calculations by someone not involved in creating it. Additionally, the University of Montana – Western (UM Western) did not have supporting documentation for some amounts used in the calculations.

**Questioned Costs:** No questioned costs identified.

**Context:** The UM is comprised of four individual campuses: University of Montana – Missoula (UM Missoula), Montana Technological University (MT Tech), University of Montana – Western (UM Western), and Helena College University of Montana (Helena College). Each campuses' financial aid office calculates and awards financial aid to students based on the COA and the individual's expected family contribution. The COA typically includes:

- Tuition and fees;
- Allowance for books, supplies, transportation, and miscellaneous personal expenses;
- Allowance for room and board; and
- Allowances for dependent care, study abroad, cooperative education, disability-related costs, and student loan fees (where applicable).

Each campus uses slightly different methodologies to create the COA, incorporating historical costs, estimated tuition and fee increases, meal plan and local rent averages, and consumer price index increases. Different COAs are established for various student categories: resident vs. nonresident, off-campus vs. on-campus, graduate, undergraduate, and full-time vs. part-time.

To award aid in the spring, all COAs are calculated in the preceding winter. For instance, the COAs for the 2022-23 academic year (August 2022 through June 2023) were calculated between January and March 2022. During our audit, we tested the COAs for evidence of review by someone not involved in creating it. The results are summarized in the table below.

Campus	Cost of Attendance Calculation Reviewed		
	Academic Year 2021-22	Academic Year 2022-23	Academic Year 2023-24
UM Missoula	x	x*	✓
UM Western	x	x	✓
Helena College	x	✓	✓
MT Tech	✓	✓	✓

\*The COAs were reviewed in August and September 2022, which was after they had been published and used.

The lack of a documented review of the COAs was a prior audit recommendation. Campus staff worked to update their processes to ensure the reviews were documented in the fall of 2022. As noted in the table above, we reviewed the COAs completed after the changes in winter 2023. We found the COAs consistently contained documentation of review by a staff member not involved in creating them. If the campuses continue to follow these new processes, this issue should be resolved.

We performed a sample of 32 out of the 1,361 total COAs for the academic years 2021-22 and 2022-23. This sample was for all eight Montana University System campuses, comprised of four UM campuses and four Montana State University (MSU) campuses, and was not statistically valid. The noncompliance identified for the UM campuses is summarized below, and the noncompliance for the MSU campuses is summarized in finding 2023-017.

UM Western did not have adequate support to determine whether the amount used for Books expenses in the 2021-22 COAs were reasonable. While including books expenses in the COA is acceptable per the Federal Student Aid handbook, the campus did not have support for the amount used. For the 2022-23 COAs, the campus fixed this and had support for the Books amount used, and we determined the amount used was reasonable.

**Repeat Finding:** Montana's Single Audit for the two fiscal years ended June 30, 2021, included a recommendation (#2021-027) to the University of Montana campuses to implement internal controls as required by federal regulations to ensure the COA calculations are accurate and supported.

**Effect:** Unsupported items were included in the 2021-22 COA calculations at UM Western. This could result in students receiving an incorrect amount of financial aid. Additionally, not having internal controls in place could result in UM Missoula, UM Western, and Helena College including unallowed or unsupported items in the COA calculations. Without effective internal controls that ensure the University of Montana campuses are managing federal awards according to federal statutes and regulations, they are also not in compliance with the federal requirement to maintain effective internal control over federal awards. Finally, the campuses could be fined by the Department of Education for not following the administrative requirements for the Student Financial Aid programs.

**Cause:** This was a finding in the prior audit report issued in summer of 2022. By that time, the COA had already been completed for academic years 2021-22 and 2022-23, and thus, the campuses did not have time to implement any changes for the COAs calculated for the academic years covered during the audit period. Additionally, internal controls over the 21-22 and 22-23 COA calculations were insufficient to ensure the calculations were fully documented and supported.

**Recommendation:** We recommend:

- A. UM Missoula, UM Western, and Helena College continue to implement internal controls to ensure the Cost of Attendance calculations are fully documented and supported.
- B. UM Western comply with federal requirements governing the Student Financial Assistance programs by retaining required supporting documentation for the Cost of Attendance calculations.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-019:** U.S. Department of Education  
 ALN #84.007, 84.033, 84.038, 84.063, 84.268, Student Financial Assistance  
 Cluster (COVID-19)  
 Grant #Various

U.S. Department of Health & Human Services  
 ALN #93.264, 93.364, 93.925, Student Financial Assistance Cluster  
 Grant #Various

**Criteria:** Federal regulation, 34 CFR 675.19(b)(3), states, regarding the Federal Work Study program, each year an institution shall submit Fiscal Operations Reports plus other information the Secretary of Education (Secretary) requires. The institution shall ensure that the information reported is accurate and shall submit it on the form and at the time specified by the Secretary.

Federal regulation, 34 CFR 674.19(d)(2), states regarding the Federal Perkins Loans program, each year an institution shall submit a Fiscal Operations Report plus other information the Secretary requires. The institution shall ensure that the information reported is accurate and shall submit it on the form and at the time specified by the Secretary.

Federal regulation, 34 CFR 676.19(b)(3), requires, for the Federal Supplemental Educational Opportunity Grant program, institutions to submit the Fiscal Operations Report and other information required by the Secretary and to ensure the information reported is accurate.

Federal regulation, 34 CFR 668.24(e)(1)(i), requires institutions to keep the Fiscal Operations Report and Application to Participate (FISAP) for the Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant (FSEOG) programs and any records necessary to support the data contained in the FISAP for three years after the end of the award year in which the FISAP was submitted.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Controls at Montana State University – Bozeman (MSU Bozeman), Montana State University – Northern (MSU Northern), and Montana State University – Billings (MSU Billings) were not sufficient to ensure that the FISAP was complete and accurate in fiscal years 2022 and 2023. We identified multiple errors in the FISAP reports submitted by the three campuses.

**Questioned Costs:** No questioned costs identified.

**Context:** Each campus is required to complete the FISAP yearly for its campus-based programs. The campuses use the Fiscal Operations Report portion of the FISAP to report expenditures and students served in the previous award year. The Application to Participate portion of the FISAP is to apply for funding for the following year.

We identified errors in both the dollar amounts and student counts reported by each campus that varied between 7% and 44%. As outlined in the table below, the total number of items with errors we identified indicate an internal control deficiency over the FISAP at these campuses.

Campus	Number of Errors	
	2020-2021 FISAP	2021-2022 FISAP
MSU Northern	6	0
MSU Bozeman	2	0
MSU Billings	0	1

**Effect:** By reporting inaccurate information in the FISAP, the campuses are not in compliance with federal requirements and have violated one of the requirements in their program participation agreements with the Department of Education. This noncompliance could affect the amount of future funding awarded or the ability to participate in these programs. Additionally, they could be fined by the Department of Education for not following the administrative requirements for these programs.

**Cause:** MSU Northern staff stated although it is their process to keep all supporting reports used in preparing the FISAP, they could not find the report to support the version submitted. MSU Billings staff stated the error was due to staff transposing a number while entering data, which was not caught in reviews. MSU Bozeman staff stated the error was an inconsistency in how two items were reported between years due to staff not looking at the prior year's FISAP as part of completing the current one.

**Recommendation:** We recommend MSU Bozeman, MSU Northern, and MSU Billings:

- A. Enhance internal controls to ensure the FISAP reports submitted are accurate and supported in compliance with federal regulations and
- B. Comply with federal requirements governing the Federal Perkins Loan, the Federal Work-Study, and Federal Supplemental Education Opportunity Grant programs by accurately completing the FISAP reports and maintaining the required supporting documentation.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.



**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-020:** U.S. Department of Education  
 ALN #84.007, 84.033, 84.038, 84.063, 84.268, 84.379, Student Financial  
 Assistance Cluster (COVID-19)  
 Grant #Various

U.S. Department of Health & Human Services  
 ALN #93.342, Student Financial Assistance Cluster  
 Grant #Various

**Criteria:** Federal regulation, 34 CFR 675.19(b)(3), states, regarding the Federal Work Study program, each year an institution shall submit Fiscal Operations Reports plus other information the Secretary of Education (Secretary) requires. The institution shall ensure that the information reported is accurate and shall submit it on the form and at the time specified by the Secretary.

Federal regulation, 34 CFR 674.19(d)(2), states regarding the Federal Perkins Loans program, each year an institution shall submit a Fiscal Operations Report plus other information the Secretary requires. The institution shall ensure that the information reported is accurate and shall submit it on the form and at the time specified by the Secretary.

Federal regulation, 34 CFR 676.19(b)(3), requires, for the Federal Supplemental Educational Opportunity Grant program, institutions to submit the Fiscal Operations Report and other information required by the Secretary and to ensure the information reported is accurate.

Federal regulation, 34 CFR 668.24(e)(1)(i), requires institutions to keep the Fiscal Operations Report and Application to Participate (FISAP) for the Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant (FSEOG) programs and any records necessary to support the data contained in the FISAP for three years after the end of the award year in which the FISAP was submitted.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Controls at the University of Montana – Western (UM Western), Montana Technological University (MT Tech), and Helena College University of Montana (Helena College) were not sufficient to ensure that the FISAP was complete and accurate in fiscal years 2022 and 2023. We identified multiple errors in the FISAP reports submitted by the three campuses.

**Questioned Costs:** No questioned costs identified.

**Context:** Each campus is required to complete the FISAP yearly for its campus-based programs. The campuses use the Fiscal Operations Report portion of the FISAP to report expenditures and students served in the previous award year. The Application to Participate portion of the FISAP is to apply for funding for the following year.

We identified errors in both the dollar amounts and student counts reported by each campus that varied between 5% and 31%. As outlined in the table below, the total number of items with errors we identified indicate an internal control deficiency over the FISAP at these campuses.

Campus	Number of Errors	
	2020-2021 FISAP	2021-2022 FISAP
UM Western	0	1
MT Tech	2	0
Helena College	0	2

**Repeat Finding:** Montana's Single Audit for the two fiscal years ended June 30, 2021, included a recommendation (#2021-031) for UM Western and Helena College to implement internal controls to ensure the FISAP reports are accurate and supported, and comply with federal requirements to accurately complete the FISAP reports and to maintain the required supporting documentation.

**Effect:** By reporting inaccurate information in the FISAP, the campuses are not in compliance with federal requirements and have violated one of the requirements in their program participation agreements with the Department of Education. This noncompliance could affect the amount of future funding awarded or the ability to participate in these programs. Additionally, they could be fined by the Department of Education for not following the administrative requirements for these programs.

**Cause:** UM Western stated they did identify the error after it was made, but university staff did not submit any corrections. The staff could not say why a correction was not submitted. The error at MT Tech was identified by the audit and university staff were unable to say why the errors were included in the FISAP. MT Tech staff submitted a correction after we identified and communicated the error. Helena College staff stated one of the errors was due to a systems issue with the Department of Education's system used to submit the FISAP. For the other error, Helena College staff mistakenly included FWS students in the FSEOG information, and corrections were not submitted timely.

**Recommendation:** We recommend UM Western, MT Tech, and Helena College:

- A. Enhance internal controls to ensure the Fiscal Operations Report and Application to Participate (FISAP) reports submitted are accurate and supported in compliance with federal regulations and
- B. Comply with federal requirements governing the Federal Perkins Loan, the Federal Work-Study, and Federal Supplemental Education Opportunity Grant programs by accurately completing the FISAP reports.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-021:** U.S. Department of Education

ALN #84.007, 84.033, 84.038, 84.063, 84.268, Student Financial Assistance  
Cluster (COVID-19)  
Grant #Various

U.S. Department of Health & Human Services

ALN #93.264, 93.364, 93.925, Student Financial Assistance Cluster  
Grant #Various

**Criteria:** Federal regulation, 16 CFR 314, implements sections 501 and 505(b)(2) of the Gramm-Leach-Bliley Act (GLBA). The overall objectives of the GLBA are to:

1. Ensure the security and confidentiality of customer information;
2. Protect against any anticipated threats or hazards to the security or integrity of such information; and
3. Protect against unauthorized access to, or use of, such information that could result in substantial harm or inconvenience to any customer.

To achieve this, an institution shall “develop, implement, and maintain a comprehensive information security program that is written in one or more readily accessible parts and contains administrative, technical, and physical safeguards that are appropriate to your size and complexity, the nature and scope of your activities, and the sensitivity of any customer information at issue.”

Federal regulation, 16 CFR 314.4, further describes the specific elements needed to develop, implement, and maintain a security program.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Montana State University (MSU) campuses do not have sufficient controls in place to ensure compliance with the requirements of the GLBA, and we identified multiple instances of noncompliance with the GLBA.

**Questioned Costs:** No questioned costs identified.

**Context:** As part of administering the Student Financial Assistance program, MSU is considered a financial institution and is thus subject to the GLBA. MSU gathers and stores various types of sensitive information electronically related to students’ education and personal information,

employees' personal information, credit and bank account information, intellectual property, and personal health information. Personally identifiable information (PII) can include student names, mothers' maiden names, social security numbers, identification numbers, or parent/guardian information. The GLBA is meant to safeguard this information and went into effect in 2003 but was not subject to audit until 2019.

Security governance within the University system was reviewed in 2020-2021 as part of an information systems audit. Material noncompliance and internal control deficiencies with the GLBA requirements were identified as part of that audit. A lack of support, guidance, and oversight were all contributing to the university's struggle to develop comprehensive security programs.

Because it takes time for security programs to be developed and implemented, we focused our audit efforts on the steps MSU has taken to move toward GLBA compliance during the current audit period. Since the previous audit MSU hired a consultant, who completed a GLBA assessment, and has action plans to move towards compliance. The GLBA assessment noted noncompliance consistent with what was identified in the initial information systems audit, thus confirming the internal control deficiencies and noncompliance was still present during the current audit. Currently, MSU is waiting to formalize draft, foundational documents and implement major controls that will help lead to proper GLBA compliance. The university system as a whole has also improved security governance to better guide and monitor security programs for each university.

**Repeat Finding:** Montana's Single Audit for the two fiscal years ended June 30, 2021, included a recommendation (#2021-022) to MSU to complete a comprehensive Information Technology (IT) risk assessment.

**Effect:** MSU is not in compliance with federal requirements. These federal requirements are in place to ensure a secure environment for customer information. Any missing controls over these requirements could result in the mishandling of customer information. The security programs needed to meet the federal requirements will involve many aspects of MSU's operations and, as a result, will have significant costs. Because there are various ways MSU could implement controls to become compliant with GLBA, all of which would have varying costs, we are not able to estimate the total cost to implement these recommendations.

**Cause:** Recently, OCHE has implemented a reporting structure to monitor IT governance across the university system and delegated the authority to administer their own information network to the major campuses, leaving this responsibility to MSU. As a result, campuses are responsible for assessing their IT environments and security programs for various risks from external threats, weak controls, and compliance with state and federal requirements. While MSU works towards a mature security program, MSU does not have sufficient controls to ensure complete compliance with the GLBA requirements at this time.

**Recommendation:** We recommend Montana State University:

- A. Continue to develop and implement internal controls to comply with the GLBA requirements, and
- B. Continue to work towards GLBA compliance.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-022:** U.S. Department of Education  
 ALN #84.007, 84.033, 84.038, 84.063, 84.268, 84.379, Student Financial  
 Assistance Cluster (COVID-19)  
 Grant #Various

U.S. Department of Health & Human Services  
 ALN #93.342, Student Financial Assistance Cluster  
 Grant #Various

**Criteria:** Federal regulation, 16 CFR 314, implements sections 501 and 505(b)(2) of the Gramm-Leach-Bliley Act (GLBA). The overall objectives of the GLBA are to:

1. Ensure the security and confidentiality of customer information;
2. Protect against any anticipated threats or hazards to the security or integrity of such information; and
3. Protect against unauthorized access to, or use of, such information that could result in substantial harm or inconvenience to any customer.

To achieve this, an institution shall “develop, implement, and maintain a comprehensive information security program that is written in one or more readily accessible parts and contains administrative, technical, and physical safeguards that are appropriate to your size and complexity, the nature and scope of your activities, and the sensitivity of any customer information at issue.”

Federal regulation, 16 CFR 314.4, further describes the specific elements needed to develop, implement, and maintain a security program.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The University of Montana (UM) campuses do not have sufficient controls in place to ensure compliance with the requirements of the GLBA, and we identified multiple instances of noncompliance with the GLBA.

**Questioned Costs:** No questioned costs identified.

**Context:** As part of administering the Student Financial Assistance program, UM is considered a financial institution and is thus subject to the GLBA. UM gathers and stores various types of sensitive information electronically related to students’ education and personal information,

employees' personal information, credit and bank account information, intellectual property, and personal health information. Personally identifiable information (PII) can include student names, mothers' maiden names, social security numbers, identification numbers, or parent/guardian information. The GLBA is meant to safeguard this information and went into effect in 2003 but was not subject to audit until 2019.

Security governance within the University system was reviewed in 2020-2021 as part of an information systems audit. Material noncompliance and internal control deficiencies with the GLBA requirements were identified as part of that audit. A lack of support, guidance, and oversight were all contributing to the university's struggle to develop comprehensive security programs.

Because it takes time for security programs to be developed and implemented, we focused our audit efforts on the steps UM has taken to move toward GLBA compliance during the current audit period. Since the previous audit UM hired a consultant, who completed a GLBA assessment, and has action plans to move towards compliance. The GLBA assessment noted noncompliance consistent with what was identified in the initial information systems audit, thus confirming the internal control deficiencies and noncompliance was still present during the current audit. Currently, UM is waiting to formalize draft, foundational documents and implement major controls that will help lead to proper GLBA compliance. The university system as a whole has also improved security governance to better guide and monitor security programs for each university.

**Repeat Finding:** Montana's Single Audit for the two fiscal years ended June 30, 2021, also included a recommendation (#2021-023) to UM to update and formalize job descriptions for positions that have responsibilities for developing, maintaining, or supporting the security program, and complete a comprehensive Information Technology (IT) risk assessment.

**Effect:** UM is not in compliance with federal requirements. These federal requirements are in place to ensure a secure environment for customer information. Any missing controls over these requirements could result in the mishandling of customer information. The security programs needed to meet the federal requirements will involve many aspects of UM's operations and, as a result, will have significant costs. Because there are various ways UM could implement controls to become compliant with GLBA, all of which would have varying costs, we are not able to estimate the total cost to implement these recommendations.

**Cause:** Recently, OCHE has implemented a reporting structure to monitor IT governance across the university system and delegated the authority to administer their own information network to the major campuses, leaving this responsibility to UM. As a result, campuses are responsible for assessing their IT environments and security programs for various risks from external threats, weak controls, and compliance with state and federal requirements. While UM works towards a mature security program, UM does not have sufficient controls to ensure complete compliance with the GLBA requirements at this time.



**Recommendation:** We recommend the University of Montana:

- A. Continue to develop and implement internal controls to comply with the GLBA requirements, and
- B. Continue to work towards GLBA compliance.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-023:** U.S. Department of Education  
ALN #84.007, 84.033, 84.038, 84.063, 84.268, Student Financial Assistance  
Cluster (COVID-19)  
Grant #Various

U.S. Department of Health & Human Services  
ALN #93.264, 93.364, 93.925, Student Financial Assistance Cluster  
Grant #Various

**Criteria:** Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Montana State University (MSU) does not have sufficient controls to ensure employees do not receive compensation prohibited by federal regulations.

**Questioned Costs:** No questioned costs identified.

**Context:** The Montana University System (MUS) Staff Compensation Plan applies to all staff at MUS campuses, excluding student employees, faculty, coaches, and those with employment contracts or appointment letters. Staff can receive various compensation adjustments, including strategic pay adjustments for retention and in-range progress reflecting increased job knowledge and duties, as well as lump sum bonuses. Pay adjustments are initiated by an employee's supervisor, approved, and then processed by the human resources office (HR).

Federal regulations prohibit MSU from providing commissions, bonuses, or other incentives based on securing enrollment or financial aid. The MUS Staff Compensation Plan does not explicitly prohibit such payments. The pay adjustment process does not verify that employees involved in enrollment, admissions, or financial aid are not receiving incentive compensation. Forms justifying pay increases often cite factors like quantity and revenue generation. Since quantity and revenue generation can be related to recruiting students, there is an increased risk of pay adjustments being tied to enrollment or financial aid success. Nonetheless, our testing found no instances of prohibited incentive compensation.

While this prohibition has been in place since 2012, it was not subject to audit until 2023. When we initially asked human resources staff about the prohibition, there was limited to no awareness of the requirements. This is likely related to the compensation plan not addressing it. However, later in the audit, staff indicated the Student Financial Aid and Admissions personnel were aware of the activities expressly prohibited by the federal regulations.

**Effect:** If MSU does not perform checks to ensure that no commissions, bonuses, or other incentive payments were paid to employees involved in enrollment, admissions, or financial aid, they could be paying those employees for unallowed compensation. This could result in questioned costs and noncompliance with federal program requirements.

**Cause:** MSU staff believe their current process has sufficient internal controls to prevent material noncompliance with the incentive compensation requirements. Specifically, they are relying on the supervisor's knowledge of these requirements to catch anything in the review process. However, without any documented policies or language on the approval forms, when positions turnover, there is risk for noncompliance.

**Recommendation:** We recommend that all Montana State University campuses enhance internal controls to ensure employees do not receive compensation prohibited by federal regulations.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-024:** U.S. Department of Education  
ALN #84.007, 84.033, 84.038, 84.063, 84.268, 84.379, Student Financial  
Assistance Cluster (COVID-19)  
Grant #Various

U.S. Department of Health & Human Services  
ALN #93.342, Student Financial Assistance Cluster  
Grant #Various

**Criteria:** Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The University of Montana (UM) does not have sufficient controls to ensure employees do not receive compensation prohibited by federal regulations.

**Questioned Costs:** No questioned costs identified.

**Context:** The Montana University System (MUS) Staff Compensation Plan applies to all staff at MUS campuses, excluding student employees, faculty, coaches, and those with employment contracts or appointment letters. Staff can receive various compensation adjustments, including strategic pay adjustments for retention and in-range progress reflecting increased job knowledge and duties, as well as lump sum bonuses. Pay adjustments are initiated by an employee's supervisor, approved, and then processed by the human resources office (HR).

Federal regulations prohibit UM from providing commissions, bonuses, or other incentives based on securing enrollment or financial aid. The MUS Staff Compensation Plan does not explicitly prohibit such payments. The pay adjustment process does not verify that employees involved in enrollment, admissions, or financial aid are not receiving incentive compensation. Forms justifying pay increases often cite factors like quantity and revenue generation. Since quantity and revenue generation can be related to recruiting students, there is an increased risk of pay adjustments being tied to enrollment or financial aid success. Nonetheless, our testing found no instances of prohibited incentive compensation.

While this prohibition has been in place since 2012, it was not subject to audit until 2023. When we initially asked human resources staff about the prohibition, there was limited to no awareness of the requirements. This is likely related to the compensation plan not addressing it. However, later in the audit, staff indicated the Student Financial Aid and Admissions personnel were aware of the activities expressly prohibited by the federal regulations.

**Effect:** If UM does not perform checks to ensure no commissions, bonuses, or other incentive payments were paid to employees involved in enrollment, admissions, or financial aid they could be paying those employees for unallowed compensation. This could result in questioned costs and noncompliance with federal program requirements.

**Cause:** UM staff believe their current process has sufficient internal controls to prevent material noncompliance with the incentive compensation requirements. Specifically, they are relying on the supervisor's knowledge of these requirements to catch anything in the review process. However, without any documented policies or language on the approval forms, when positions turnover, there is risk for noncompliance.

**Recommendation:** We recommend that all of the University of Montana campuses enhance internal controls to ensure employees do not receive compensation prohibited by federal regulations.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-025:** U.S. Department of Education  
ALN #84.007, 84.033, 84.038, 84.063, 84.268, Student Financial Assistance  
Cluster (COVID-19)  
Grant #Various

U.S. Department of Health & Human Services  
ALN #93.264, 93.364, 93.925, Student Financial Assistance Cluster  
Grant #Various

**Criteria:** Federal regulation, 34 CFR 668.166(a), allows an institution to maintain a cash balance of any amount of Title IV Higher Education Act (HEA) funds for up to three business days before it becomes excess cash.

Federal regulation, 34 CFR 668.166(b), allows an institution to maintain an excess cash tolerance of less than one percent of their prior year's drawdowns for up to seven calendar days. The institution must immediately return any amount of excess cash over the one percent tolerance and any amount of excess cash remaining in its account after the seven-day period.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Controls at Montana State University – Bozeman (MSU Bozeman), Montana State University – Northern (MSU Northern), Montana State University – Billings (MSU Billings), and Great Falls College – Montana State University (Great Falls College MSU) were not sufficient to ensure the campuses were not maintaining excess cash balances of HEA funds. We identified multiple instances of excess cash balances at these campuses during the audit period.

**Questioned Costs:** No questioned costs identified.

**Context:** Montana State University (MSU) has four campuses: MSU Bozeman, MSU Billings, MSU Northern, and Great Falls College MSU. Each of these campuses receives funding from the Department of Education (ED) as part of the Student Financial Assistance Program (SFA). The amount of funds available for each campus to draw from ED and disburse to students depends on the individual program within SFA, the amount of money awarded to and accepted by students, and the amount already disbursed. For the Pell Grant and Direct Loan programs, the amount available is the total of each student's awards and depends on the students who attend each campus; thus, fluctuates throughout the year. For the Federal Supplemental Educational Opportunity Grants (FSEOG) and Federal Work-Study (FWS) programs, the amount available is

a flat amount awarded to each campus for each year. It does not fluctuate based on the number of students who are eligible. ED’s Common Origination and Disbursement system (COD) shows the total amount awarded, already disbursed to students, and available for each program. Regardless of the program, all campuses are under the advance payment method, which allows them to draw down funds (request payment) prior to disbursement.

We analyzed the cash balances for each campus and found multiple instances where each had excess cash for one or more of the SFA programs during the audit period. These instances varied significantly in length. For example, MSU Bozeman maintained an excess cash balance for 368 days in the FWS program but only 1 day for the Direct Loan program. The number of instances of excess cash we identified for each campus are summarized in the table below.

Number of Instances of Excess Cash				
Program	MSU Bozeman	MSU Northern	Great Falls College MSU	MSU Billings
Direct Loan	1	3	1	2*
FWS	2	5	0	
FSEOG	3	2	1	
Pell Grants	0	1	3	

\* MSU Billings information is the total for all programs as the university did not provide the data to perform the analysis by individual program.

**Effect:** MSU Bozeman, MSU Northern, MSU Billings, and Great Falls College MSU did not comply with federal cash management requirements. As a result, the campuses had excess cash that should have been returned to the federal government but was not. The excess cash balances resulted in the MSU Bozeman campus earning \$29,119 in interest on the excess cash during the audit period. This noncompliance could affect the amount of future funding awarded or the ability to participate in these programs. Additionally, they could be fined by the Department of Education for not following the administrative requirements for these programs.

**Cause:** Staff at MSU Billings, MSU Northern, and Great Falls College MSU staff attributed the balances to the complexity of the program activity as SFA funds are constantly being disbursed to students, adjusted for changes in student circumstances, and reported to and drawn from ED. MSU Northern staff also attributed the FSEOG balances to the state match portion of the funds that is deposited in the account. These funds are deposited in total at the beginning of the school year and then spent down. However, we removed the state activity as part of our analysis and the excess cash balances reported above remained.

MSU Bozeman staff do not believe the cash balances were created by program funds from the current audit period for FWS and FSEOG for multiple reasons:

- The state match portion of the FSEOG funds is deposited in the account along with the federal funds. These funds are deposited in total at the beginning of the school year and then spent down. However, we removed the state activity as part of our analysis and the excess cash balances reported above remained.
- There were non-financial aid funds that were temporarily placed into the FWS account while a separate account was created. Staff stated they lost track of the new account and

these funds remained in the FWS account for the majority of the audit period. However, we removed these funds as part of our analysis and the excess cash balances reported above remained.

- In total, the FWS and FSEOG programs have had \$76,894 in cash in their accounts since 2000. University staff do not know the history of these funds and are unable to determine the source of this cash. However, given these accounts are intended to only be used for SFA activity, it is likely these balances were excess cash from these programs at some point. As such, they should have been returned to the Department of Education or disbursed to students long ago.

Finally, MSU Bozeman staff believe the Direct Loan instance represents an appropriate cash balance for the three business days plus the afforded tolerance of up to seven days. However, while the balance was reduced after three business days, it was not within the seven-day tolerance level.

**Recommendation:** We recommend MSU Bozeman, MSU Northern, MSU Billings, and Great Falls College MSU:

- A. Enhance internal controls to ensure compliance with federal cash management requirements.
- B. Comply with federal requirements over cash management and excess cash.

**Views of Responsible Officials:** MSU Billings, MSU Northern, and Great Falls College MSU concur with the recommendation.

MSU Bozeman conditionally concurs with the recommendation. While management agree with the excess cash balances for the FWS and FSEOG programs, they do not agree with the instance related to the Direct Loan program. Management believes that while their records show a positive cash balance on the third day, it was negative by day four, which is within the seven-day tolerance.

**Rebuttal of Views of Responsible Officials:** We considered MSU Bozeman's conditional concurrence with the recommendation. We agree the excess Direct Loan program cash balance was eliminated within seven days. However, the seven-day tolerance is only applicable if the excess cash balance is within one percent of their prior year's drawdowns. At \$1,127,403, the amount was not within this one percent tolerance, which was approximately \$639,000. As such, our recommendation stands.



**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-026:** U.S. Department of Education  
 ALN #84.007, 84.033, 84.038, 84.063, 84.268, 84.379, Student Financial  
 Assistance Cluster (COVID-19)  
 Grant #Various

U.S. Department of Health & Human Services  
 ALN #93.342, Student Financial Assistance Cluster  
 Grant #Various

**Criteria:** Federal regulation, 34 CFR 668.22(c)(1), outlines how an institution determines a student's withdrawal date to calculate the amount of the term attended by the student.

Federal regulation, 34 CFR 668.22(c)(4), requires an institution to document a student's withdrawal date and maintain the documentation as the date of the institution's determination that a student withdrew.

Federal regulations, 34 CFR 668.22(g)(1) and (2), require institutions to return the lesser of the total unearned Title IV assistance or an amount equal to the student's total institutional charges multiplied by the percentage of unearned Title IV assistance. Institutional charges used in this calculation include only tuition, fees, room and board, and other educational expenses assessed by the institution.

Federal regulation, 34 CFR 668.22(j)(1), requires an institution to return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Internal controls at the University of Montana – Missoula (UM Missoula) and the University of Montana – Western (UM Western) were not sufficient to ensure accurate calculations and timely returns of unearned Title IV aid for a significant portion of the audit period. During fiscal year 2022, UM Missoula failed to comply with federal regulations regarding these returns in multiple instances.

**Questioned Costs:** No questioned costs identified.

**Context:** Each university awards federal financial aid based on the cost of attendance and the student's expected family contribution. This cost is determined before the academic year based on the student's anticipated enrollment. If a student drops courses or withdraws from the university, their aid must be adjusted. For students who withdraw completely, federal regulations require the university to calculate the aid earned based on the time attended. If the student attended less than 60% of the term, unearned aid must be returned to the federal government within 45 days.

During the prior audit, we found UM Missoula and UM Western had material weaknesses in internal controls and material noncompliance related to returning Title IV funds. As part of the Department of Education's follow-up on the prior recommendation, both campuses performed additional analysis. They identified additional funds to be returned (indicating the initial calculations were incorrect) through November 2022. Based on this timing, the internal control weakness, along with likely noncompliance, continued through approximately 17 months of the current audit period. We did not test compliance for this period because material noncompliance had already been identified. UM Missoula recalculated all 360 students who withdrew during the first year of the audit period, finding 71 errors and returning an additional \$87,708. Because these funds were returned before the audit, we did not consider them questioned costs.

The audit focused testing on changes the campuses had made to their processes and returns calculated after November 2022. Staff at both campuses worked to update their processes and policies to prevent future errors. We reviewed these changes from November 2022 through June 30, 2023, which affected the fall 2022 and spring 2023 semesters, and found the new control activities were in place and consistently performed. If UM Missoula and UM Western continue to follow these new processes, this issue should be resolved. Although material noncompliance had already been identified for the audit period based on the UM Missoula recalculations alone, we reviewed returns for six students at UM Missoula and four at UM Western, to determine if the new processes resulted in correct calculations. We determined returns for the 10 students were correctly completed and supported.

**Repeat Finding:** Montana's Single Audit for the two fiscal years ended June 30, 2021, included a recommendation (#2021-028) to UM Missoula to enhance internal controls to ensure the amount of financial aid to be returned is calculated correctly and the aid is returned to ED timely; to UM Western to implement internal controls to ensure the amount of financial aid to be returned is calculated correctly and supporting documentation is maintained; and to both campuses to comply with the federal requirements governing the return of Title IV funds process.

**Effect:** Without effective internal controls that ensure that UM Missoula and UM Western are managing federal awards according to federal statutes and regulations, they are not in compliance with the federal requirement to maintain effective internal control over federal awards. Additionally, UM Missoula did not comply with the federal return of Title IV requirements. Finally, the campuses could be fined by the Department of Education for not following the administrative requirements for the Student Financial Aid programs.

**Cause:** As part of the prior audit, we determined UM Missoula and UM Western had a material weakness in internal controls and material noncompliance. When this issue was communicated in spring 2022, most of the first year of the audit period was already complete, meaning they could not address the issues for at least the first half of the audit period. As noted above, UM Missoula and UM Western changed their processes to address this issue in fall 2022, and if they continue to follow the new processes, this should be resolved.

**Recommendation:** We recommend:

- A. UM Missoula and UM Western continue to follow their improved processes to ensure accurate calculations and timely return of unearned Title IV aid, and
- B. UM Missoula comply with federal regulations to accurately calculate and timely return unearned Title IV aid.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-027:** U.S. Department of Education  
ALN #84.007, 84.033, 84.038, 84.063, 84.268, 84.379, Student Financial  
Assistance Cluster (COVID-19)  
Grant #Various

U.S. Department of Health & Human Services  
ALN #93.342, Student Financial Assistance Cluster  
Grant #Various

**Criteria:** Federal regulation, 34 CFR 685.309(b), outlines the enrollment reporting process requirements for schools participating in the Direct Loan program. It states upon receipt of an enrollment report from the Secretary of Education (Secretary), a school must update all information included in the report and return the report within the allowed timeframe and in the manner and format prescribed by the Secretary. Additionally, on behalf of a student who receives a loan under Title IV of the Higher Education Act, the school must notify the Secretary within 30 days (unless its next updated enrollment report is to be submitted within the next 60 days) if the student has a change of address or drops below at least half-time enrollment.

Federal regulation, 34 CFR 690.83(b)(2), states an institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with procedures the Secretary finds necessary to ensure that the reports are correct.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Controls at the University of Montana – Missoula (UM Missoula, campus) were not sufficient to ensure that federal enrollment reporting was complete and accurate. We identified errors in the enrollment reporting for the academic years 2021-2022 and 2022-2023 at UM Missoula.

**Questioned Costs:** No question costs identified.

**Context:** The Department of Education (ED) requires each campus to complete student enrollment reporting throughout the year. ED maintains a central federal database, the National Student Loan Data System (NSLDS), that houses student enrollment information. Periodically, NSLDS provides a roster file of enrollment information for students who receive Pell Grants or

Direct Loans. UM Missoula must review, update, and verify student enrollment statuses, program information, and effective dates within 15 days of receiving the file.

Although ultimately responsible for all reporting, UM Missoula uses a third-party organization, the National Student Clearinghouse (clearinghouse), to complete the reporting. Campus staff extracts the current enrollment information from the university's computer system, Banner, which houses various campus data including student data. UM Missoula uses standard reports and reviews them for errors and students who should not be included. Staff then send the report to the clearinghouse, which matches it up to the roster file provided by ED and sends it back to NSLDS. If NSLDS identifies errors or inconsistencies, they provide an error file that must be corrected and resubmitted within 10 days.

We identified the following errors in enrollment reporting at UM Missoula:

- From July 2021 through September 2022, UM Missoula did not complete the required enrollment reporting for 306 students. While these students were not included in the required enrollment reporting, all received their intended federal aid. These students either did not provide a social security number when applying for admission or initially attended as dual enrollment students, and Banner was not updated once enrolled as a regular student. These two situations are described in further detail as follows:

**Missing Social Security Numbers (SSN):** Students are not required to provide SSNs during the campus admissions process but must do so to receive federal financial aid through the Free Application for Federal Student Aid (FAFSA). If a student provides their SSN only through the FAFSA, it is stored in the financial aid Banner data and not included in reports run by campus staff, resulting in unreported SSNs. Since the SSN is how data is matched to NSLDS student records, these students do not get reported.

**Dual Enrollment Students:** Eligible Montana high school students can take college courses for free or at a reduced cost. At UM Missoula, these students are marked in Banner with a specific attribute code, which is filtered out since they are not eligible for federal financial aid. However, this code is not updated when these students become regular students.

We identified the missing SSNs and dual enrollment noncompliance above in the prior audit in spring of 2022. UM Missoula staff worked through the issue as part of responding to the prior audit finding and corrected the errors identified by the end of September 2022. Staff worked to update their processes and policies to ensure these errors would not continue. We reviewed these changes from September 2022 through June 30, 2023, and found the new control activities were in place and consistently performed. However, we did not test individual students during this period, as material noncompliance had already been identified for the audit period. If UM Missoula continues to follow these new processes, this issue should be resolved.

- For fiscal years 2022 and 2023, program length and program type were misreported for an estimated 150-200 students due to programming rules in Banner. Banner has default program durations and program types which were set approximately 10 years ago that do not necessarily match current programs. Staff were unaware of these defaults, resulting in misreported data.

- From March 2023 through June 2023 the program enrollment and beginning dates were misreported. An update to Banner resulted in the Banner extract reverting certain dates to the student original enrollment date instead of the program enrollment and begin dates required by federal regulations.

**Repeat Finding:** Montana's Single Audit for the two fiscal years ended June 30, 2021, included a recommendation (#2021-029) to UM Missoula to improve internal controls to ensure all required students are reported to NSLDS and comply with federal requirements governing the enrollment reporting process. This recommendation was specifically related to the noncompliance in the first bullet in the section above.

**Effect:** By not reporting students as required UM Missoula is not in compliance with federal enrollment reporting requirements. By not having internal controls over this process, UM Missoula is also noncompliant with federal requirements requiring internal controls. These students would also not be considered enrolled from the perspective of ED. Additionally, UM Missoula could be fined by the Department of Education for not following the administrative requirements for these programs.

**Cause:** Controls are not sufficient to ensure that enrollment reporting is complete and accurate. Internal controls ensure staff understand the processes to report the required data, and how that data is stored. Campus staff lacked the training and knowledge of how the data is stored and coded in Banner to produce accurate and complete reports. While staff identified many of these issues while working through returned errors, the underlying issues were in place for multiple months to years before staff identified the issue.

**Recommendation:** We recommend the University of Montana – Missoula:

- A. Enhance internal controls to ensure all required students are reported to NSLDS and staff are aware of Banner programming rules, and
- B. Comply with the federal requirements governing the enrollment reporting process.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-028:** U.S. Department of Education  
 ALN #84.425E and 84.425F, Education Stabilization Fund (ESF) (COVID  
 19)  
 Grant #P425E200626, P425F204054

**Criteria:** The Office of Management and Budget 2022 and 2023 Compliance Supplements (Section III, Part L) for the Higher Education Emergency Relief Fund (HEERF) program require three components of reporting: quarterly public reporting on the Student Aid Portion, quarterly public reporting on the Institutional Aid Portion, and annual reporting on all funds.

The Office of Management and Budget 2023 Compliance Supplement (Section III, Part L) for the HEERF program stated ED collected an annual report for HEERF grantees in March 2023 covering calendar year 2022 expenditures. It refers to the U.S. Department of Education’s *Education Stabilization Fund – Higher Education Emergency Relief Fund (HEERF) Data Collection Tool User Guide* published March 2023, which states the calendar year 2022 reporting tool will close March 24, 2023, on page 1.

The Office of Management and Budget 2022 Compliance Supplement (Section III, Part L) for the HEERF program states the quarterly public reporting for the Student Aid Portion (ALN 84.425E) must be updated no later than 10 days after the end of each calendar quarter.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Internal controls were not sufficient to ensure the University of Montana – Missoula (UM Missoula) completed required quarterly reports accurately and submitted those reports timely for the Higher Education Emergency Relief Fund (HEERF) program. UM Missoula also did not maintain documentation of their review of those reports. We identified multiple instances where UM Missoula did not comply with the reporting requirements for the HEERF program.

**Questioned Costs:** No questioned costs identified.

**Context:** The Education Stabilization Fund (ESF) was established in March 2020 to aid educational institutions in their efforts to prevent, prepare for, and respond to the coronavirus and its impact on institutions of higher education. Higher education institutions received funding under the HEERF program. Most of UM Missoula’s funding was in grants for emergency student financial aid and to cover coronavirus-related expenses, including lost revenue. During

the audit period, UM Missoula disbursed \$10,818,525 in emergency financial aid to students and received \$11,754,099 in lost revenue reimbursement.

The U.S. Department of Education required institutions to submit quarterly and annual reports detailing the use of HEERF funds for both Student Aid and Institutional Aid and to publicly post the quarterly reports. We identified the following issues with UM Missoula's HEERF reporting:

Public Quarterly Reports – Student Aid:

We reviewed four Student Aid Portion public quarterly reports. We found the report for the quarter ending September 30, 2021, was posted on October 18, 2021, ten days after the due date. We also found that two reports were missing key line items:

- Report for the quarter ending December 31, 2021:
  - Total number of eligible students.
  - Total number of students who received a grant.
  - Methods used to determine which students received grants and how much.
- Reports for the quarters ending September 30, 2022:
  - Total number of eligible students.
  - Methods used to determine which students received grants and how much.

Quarterly Expenditure and Budgeting Reporting

We performed a sample of four out of the eight Quarterly Expenditure and Budgeting Reporting for all HEERF I, II, and III grant funds reports from the audit period. The sample was not statistically valid. We found the following errors:

- Report for the quarter ended September 30, 2022:
  - The total amount of funds disbursed to students for emergency financial aid grants to date for the program was underreported by \$2,274. The amount was reported as \$18,424,028, but the support stated the total was \$18,426,304.
  - The amount of HEERF student aid funds remaining was overreported by \$2,274. The amount was reported as \$183,097 when it should be \$180,823.
  - The amounts disbursed to students for all HEERF funds for the quarter were incorrectly reported as \$0. The support shows \$677,225 in total, \$398,675 for undergraduates, and \$278,550 for graduates.
  - The average amounts awarded per student for the quarter were incorrectly reported as \$0, but there should be amounts reported as financial aid grants were made with the funds. Based on the other amounts in the report, the amounts should be \$271 in total, \$290 for undergraduates, and \$248 for graduates.
- Reports for the quarter ended March 31, 2023, and June 30, 2023:
  - The total amount of funds disbursed to students for emergency financial aid grants to date for the program was underreported by \$2,274. The amount was reported as \$18,424,028, but the support stated the total was \$18,426,304.



University staff intended for these quarterly reports to be reviewed by both Business Services and Financial Aid staff. In our review of the four reports, we found:

- Quarter ended December 31, 2021, had no evidence of review by either department.
- Quarters ended September 30, 2022, and March 31, 2023, had no evidence of review by Business Services.
- Quarter ended June 30, 2023, had no evidence of review by Financial Aid.

Annual Reports:

We also reviewed the two annual reports due during the audit period, covering calendar years 2021 and 2022. Staff could not provide support for reported lost revenue from auxiliary services sources, canceled ancillary events, and parking in the calendar year 2021 report. We also found that the calendar year 2022 report was submitted twenty-five days past the March 24, 2023, due date, and staff could not provide support for the total lost revenue amount reported.

The American Rescue Plan Act created two new required uses for the HEERF institutional funds: (a) to implement evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines and (b) conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student, or other circumstances. UM Missoula had expenses related to these new requirements but did not report them.

**Effect:** UM Missoula is not in compliance with the reporting requirements for the HEERF program. Additionally, without effective internal controls to ensure UM Missoula is managing federal awards according to federal statutes and regulations, the university is not in compliance with the federal requirement to maintain effective internal control over federal awards. UM Missoula is also at risk for additional enforcement actions by or increased scrutiny from the Department of Education.

**Cause:** The University staff's explanation for the lack of supporting documentation due to staff turnover is understandable. However, it's crucial to note that while current staff were able to provide documents upon request, these did not always align with the reported amounts. This discrepancy raises significant uncertainty about the original intent of these documents, whether they were initially intended to support the reports or were discovered later for the audit.

Staff explained that the September 30, 2021, quarterly report was submitted late because the awarding process was incomplete. Staff further stated the annual report was late due to the notifications being sent to an inactive email address. Regarding the new ARPA requirements, staff reported all as lost revenue since their lost revenue amounts exceeded the amount of their grant award, instead of offsetting direct expenditures. For direct outreach costs, staff intended to charge the assistant financial aid director's time to the HEERF institutional grant fund but did not. Thus, although these expenses were incurred, they were not charged or reported to HEERF funds.

For Student Aid public reporting, UM Missoula posted its quarterly reports submitted to the Department of Education on its website. However, as these reports were not designed solely for public reporting, they did not contain all the required information and staff did not post the missing information separately. University staff stated the December 31, 2021, report did not require the student information. However, these requirements were put in place in a federal register notice published on May 13, 2021.

**Recommendation:** We recommend the University of Montana – Missoula:

- A. Enhance internal controls to ensure the University complies with reporting requirements for any new federal programs received; and
- B. Comply with reporting federal regulations for future federal programs.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-029:** U.S. Department of Education  
 ALN #84.425E and 84.425F, Education Stabilization Fund (ESF) (COVID-19)  
 Grant #P425E200902, P425F202518

**Criteria:** The Office of Management and Budget 2022 and 2023 Compliance Supplements (Section III, Part L) for the Higher Education Emergency Relief Fund (HEERF) program require three components of reporting: quarterly public reporting on the Student Aid Portion, quarterly public reporting on the Institutional Aid Portion, and annual reporting on all funds.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Internal controls were not sufficient to ensure Montana State University – Bozeman (MSU Bozeman, university) accurately completed all required quarterly reports and maintained documentation of their review of those reports for the HEERF program. We identified multiple instances where MSU Bozeman did not comply with the reporting requirements for the HEERF program.

**Questioned Costs:** No questioned costs identified.

**Context:** The Education Stabilization Fund (ESF) was created in March 2020 to aid educational institutions in their efforts to prevent, prepare for, and respond to the coronavirus and its impact on institutions of higher education. Institutions of higher education received funding under the HEERF program. Most of the funding MSU Bozeman received was in the form of grants to provide emergency student financial aid and grants to defray campus expenses associated with the coronavirus. During the audit period, the MSU Bozeman disbursed \$15,918,472 in emergency financial aid grants to students and recorded \$11,709,106 of institutional expenses.

MSU Bozeman was required to complete quarterly reporting for both the Student Aid and Institutional Aid portions of the HEERF program. This reporting included submitting reports to the Department of Education as well as posting information to the university's website.

We identified the following issues with the publicly posted reports:

- The HEERF II report for the quarter ended September 30, 2021, did not include the total number of students who received an Emergency Financial Aid Grant during the quarter.

- The HEERF III reports for quarters ended December 31, 2021, and March 31, 2022, did not include the estimated total number of students eligible to receive Emergency Financial Aid Grants.

We performed a sample of four out of the eight quarterly reports submitted to the Department of Education. This was not a statistically valid sample. We identified the following issues:

- The report for the quarter ended June 30, 2023, contained a \$909,000 error in the graduate amount column for the HEERF (a)(1) Institutional Portion Amount Disbursed line item. The amount should have been \$101,347 and not \$1,010,347.
- Internal controls were not sufficient to ensure documentation of the quarterly reporting controls were kept. There was no evidence of review for the quarters ended September 30, 2022, March 31, 2023, and June 30, 2023. MSU Bozeman staff stated the reports were reviewed and confirmed either in person or over the phone.

**Effect:** Without effective internal controls to ensure that MSU Bozeman is managing federal awards according to federal statutes and regulations, MSU Bozeman is not in compliance with federal reporting regulations for the HEERF program. Additionally, without effective internal controls, the university is not in compliance with the federal requirement to maintain effective internal control over federal awards.

The potential consequences of noncompliance include but are not limited to, increased scrutiny from the Department of Education and placement on “High Risk Status,” which could impact the university’s ability to receive other grants from the Department of Education.

**Cause:** MSU Bozeman staff stated there was no documentation of the reviews of the quarterly institutional reports because they were done in person or over the phone. Staff stated the guidance for the publicly posted reports was not clear and changed regularly. Additionally, the error in the amount disbursed was a typo that was not caught, and the missing public student aid reporting items were overlooked. Staff also stated the student numbers being reported were very dynamic and constantly changed, which made it difficult to capture the information for the reports.

**Recommendation:** We recommend Montana State University – Bozeman:

- A. Enhance internal controls to ensure the University complies with reporting requirements for any new federal programs received.
- B. Comply with federal reporting regulations for any new federal programs.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university’s planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-030:** U.S. Department of Education  
ALN #84.425F, Education Stabilization Fund (ESF) (COVID-19)  
Grant #P425F202518

**Criteria:** Federal regulation, 2 CFR 200.1, defines period of performance as the total estimated time interval between the start of an initial Federal award and the planned end date, which may include one or more funded portions or budget periods.

The Office of Management and Budget 2022 and 2023 Compliance Supplements (Section III, Part H) for the Higher Education Emergency Relief Fund (HEERF) program state in the Coronavirus Aid, Relief, and Economic Security Act, Coronavirus Response and Relief Supplemental Appropriations Act, and American Rescue Plan Act Certification and Agreements, all institutions were given one calendar year (12 months) from the date of award in their HEERF Grant Award Notifications (GAN) to complete the performance of their HEERF grants.

The Office of Management and Budget 2023 Compliance Supplement (Section III, Part H) for the HEERF program states the performance period was extended to June 30, 2023, as of April 24, 2022, for all HEERF grant awards in an open status (grant awards that had not entered the closeout phase and had a balance of \$1,000 or more).

Federal regulation, 31 CFR 205.33, requires a state to minimize the time between the drawdown and their disbursement for federal program purposes.

The Office of Management and Budget 2022 and 2023 Compliance Supplements (Section III, Part C) for the HEERF program refer to the Certification Supplemental Agreements for the Coronavirus Response and Relief Supplemental Appropriations Act and American Rescue Plan Act signed by grantees. The compliance supplement and the supplemental agreements indicate the Institutional Aid Portion should be disbursed within three calendar days of the drawdown from the grant system.

The Office of Management and Budget 2023 Compliance Supplements (Section III, Part L) for the HEERF program requires quarterly budget and expenditure reporting for all HEERF grant funds.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Internal controls were insufficient to ensure Montana State University – Bozeman (MSU Bozeman, university) spent the HEERF institutional funds within the period of performance or that the university only drew and reported actual construction project expenses for the HEERF institutional funds. We identified multiple instances where MSU Bozeman did not comply with the period of performance, cash management, and reporting requirements for the HEERF institutional funds.

**Questioned Costs:** No questioned costs identified.

**Context:** MSU Bozeman reported approximately \$27.6 million in HEERF expenditures during fiscal years 2022 and 2023, approximately \$11.7 million of which were institutional funds. While there were many allowable uses for these funds, the university chose to allocate \$5,000,000 to the renovation of HVAC systems in three buildings:

- AJM Johnson Hall data center HVAC upgrades for \$2,300,000
- Renne Library data center HVAC upgrades for \$2,300,000
- Haynes Hall ventilation upgrades for \$400,000

In January and May 2023, MSU Bozeman recorded the full amount discussed above for these projects as transfer expenditures in the HEERF fund, which moved the associated cash to its capital projects funds. The university drew the federal funds for these expenditures and reported them on its quarterly reports for the quarters ended 3/31/23 and 6/30/23. However, there were only \$45,293 in project expenses for all three projects during the audit period.

MSU Bozeman should have transferred only the amount of project expenses, \$45,293, to the capital project fund, made a draw, and reported expenditures for this amount, not the full \$5,000,000 of the estimated HVAC project costs.

The HEERF program did not allow institutions to obligate funds for expenditure after the June 30, 2023, period of performance end date and required all funds to be spent by that date. By recording the transfer expenditures in the HEERF fund and moving the associated cash to the capital projects funds without the same amount of underlying project expenditures, the university violated the period of performance requirements. The HEERF program allowed institutions to apply for no-cost extensions for up to twelve months, but the university did not apply.

**Effect:** By not spending the HEERF institutional funds by the end of the grant period, the university is not in compliance with the period of performance requirements. It has \$4,954,707 of unspent HEERF funds sitting in its capital projects fund earning interest. MSU's project funds are invested through the Montana Board of Investments. Using the average Short Term Investment Pool return for fiscal year 2024, the unspent funds would have earned approximately \$267,000 in interest as of the end of the year. Additionally, by drawing and reporting based on the transfer amounts instead of actual construction project expenses during the period, MSU Bozeman did not comply with cash management and reporting requirements. Without effective internal controls that ensure MSU Bozeman manages federal awards according to federal statutes and regulations, the university is not in compliance with the federal requirement to maintain effective internal control over federal awards. The potential consequences of noncompliance include increased scrutiny from the Department of Education and placement on "High Risk

Status,” which could impact the university’s ability to receive other grants from the Department of Education.

**Cause:** MSU Bozeman staff attributed the issue to their unfamiliarity with federal grant requirements, as the office managing the HEERF funds does not typically handle federal grants, and to their desire to spend the funds before the end of the grant period. Additionally, university staff stated the university did not have project expenses during the period due to navigating market conditions related to consultant interest and contractor pricing in the construction industry. Staff further stated that due to the construction delays, the importance of these projects, and the lack of another funding source, they had no choice but to record the transactions they did in order to have the funds available to complete the projects.

**Recommendation:** We recommend Montana State University – Bozeman:

- A. Enhance internal controls to ensure the university complies with cash management, period of performance, and reporting requirements for any new federal programs received;
- B. Comply with federal regulations for cash management, period of performance, and reporting for any new federal programs; and
- C. Work with the Department of Education to resolve the use of the funds, including returning the \$4,954,707 of excess HEERF funds and approximately \$267,000 of interest to the Department of Education, if required.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university’s planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-031:** U.S. Department of Education  
ALN #84.425D and #84.425U, Education Stabilization Fund  
Grant #S425D200006, S010A200026-21A, S425U210006-21A

**Criteria:** The Elementary and Secondary School Emergency Relief Fund (ESSER) is part of the Education Stabilization Fund. The ESSER reporting expectations for fiscal years 2022 and 2023 state that the annual reports provide the public with insight into how ESSER funds have been used, indicating it is important to report by expenditures category. In addition, in fiscal year 2023, the Office of Management & Budget Circular A-133 Compliance Supplement notes the following are ESSER annual report key line items:

- Local Education Agency's (LEA) expenditures by ESSER subgrant fund, expenditure category, and object code
- Allocation of ESSER funds to schools and criteria used to allocate funds to schools, and
- Full Time Equivalent (FTE) positions

Federal regulation, 2 CFR 200.334, requires non-federal entities to retain records related to the federal awards.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Office of Public Instruction (office) did not accurately report all required elements of the ESSER annual reports submitted during fiscal years 2022 and 2023 contrary to federal requirements.

In addition, although the office added some controls to the reporting process, like tying total expenditures reported to the state's accounting system, they did not have sufficient controls in place to prevent, or detect and correct, material noncompliance related to ESSER annual reports submitted during fiscal years 2022 and 2023.

**Questioned Costs:** No questioned costs identified.

**Context:** The office submitted five spreadsheets each year for their ESSER annual reporting. We tested four spreadsheets each year, three focusing on ESSER I, ESSER II, and ESSER III. The fourth spreadsheet was called the Cross Act, which included total FTE employee information. All eight spreadsheets had inaccuracies as summarized below.

- The office did not have the functionality to report ESSER I LEA's expenditures by category in their grants tracking system called E-Grants as required. Because the



functionally was not available for ESSER I, all ESSER I expenditures were reported as "other items" for all reports submitted during the audit period.

- The ESSER 2021 CARES report submitted to the federal government in July 2022 was not accurate when submitted, because the report did not include ESSER expenditures of \$1.2 million spent by co-ops. The purpose of co-ops is for small to medium sized LEAs that pool resources in order to gain specialized services. The office is currently correcting these reports by adding the co-ops that were not included.
- ESSER annual reporting requires expenditures to be reported by LEA, category, and type of expenditure. The reported information came from E-Grants, but the backup documentation was not retained to support the ESSER expenditures by category. This applies to ESSER I, II, and III reports provided to the federal government during the audit period.
- We were not able to verify the accuracy of the key line items "allocation of ESSER funds to schools and the criteria used to allocate funds to schools" and "FTE". The LEAs reported this information and office personnel indicated there was no way to verify its accuracy. Office staff reported that LEA personnel do certify the data. These are key line items, indicating the federal government believes the items to be important. We also noted some FTEs that were likely inaccurate. For example, a youth correctional facility reported zero FTE.

**Repeat Finding:** This is a repeat finding and was reported as Single Audit finding 2021-037 in the audit for the two fiscal years ended June 30, 2021.

**Effect:** The office did not comply with federal reporting requirements for the ESSER program. As noted above, the federal government says the annual reports provide the public with insight into how ESSER funds have been used. This can't be accomplished if the information in the report is unsupported.

**Cause:** The office initially did not collect the level of expenditure detail needed to accurately complete the ESSER annual reports because guidance changed from the U. S. Department of Education after awarding ESSER I to the office. The office did not have the ability to amend the data collected in the E-Grants system, which resulted in reporting expenditure activities in the "other" categories.

During the audit period, the office used E-Grants reports to compile expenditure data by category for ESSER II and III but did not retain documentation to support the reported data. Current staff members were unable to locate the supporting documents, because the person who ran and formatted the report was no longer with the office. The office can prevent this kind of knowledge loss by making sure multiple employees participate in the reporting process. Documenting internal controls related to the reporting process will also ensure compliance consistency, even when there is turnover.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Enhance internal controls to ensure annual reports are accurate and supported.
- B. Correct and resubmit previously submitted annual reports.
- C. Comply with federal regulations by reporting all required data elements in annual reports and retain support for the information reported.

**Views of Responsible Officials:** The office concurs with this recommendation. For additional information regarding the office's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-032:** U.S. Department of Education  
 ALN #84.425D and #84.425U, Education Stabilization Fund (ESF) (COVID-19)  
 Grant #S425D200006, S425D210006, and S452U210006-21A

**Criteria:** Federal regulation, 2CFR 200.332(d), requires pass through entities to "Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved."

The Office of Management and Budget 2022 Compliance Supplement (compliance supplement), ESF Program (Section III, Part F-Equipment /Real Property Management) explains that construction projects using Elementary and Secondary School Emergency Relief Fund (ESSER funds) must meet Davis-Bacon prevailing wage requirements, meaning they must pay wages based on federal requirements. A memo from the Department of Education related to Davis-Bacon released April 2023 further clarified that states should be collecting and monitoring all Local Educational Agencies' (LEA) wage certifications.

The compliance supplement (Section III, Part A Activities Allowed or Unallowed) also requires costs to be consistent with the purpose of the ESF, "to prevent, prepare for, and respond to COVID-19".

Federal regulation, 2 CFR 200.403 (a) and (g), requires allowable costs to be "necessary and reasonable for the performance of the Federal award" and to be "adequately documented".

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** ESSER is part of the ESF. The Office of Public Instruction's (office) controls were not sufficient to prevent, or detect and correct, noncompliance with federal requirements during the audit period.

The office assessed subrecipients risk, reviewed audit reports for LEAs whose audits included ESSER as a major program, and required subrecipients to document their use of ESSER funds on cash requests. However, the office did not comply with federal allowable cost regulations. This is because they did not require documentation beyond the cash requests to ensure those expenditures followed ESSER program requirements. Examples include being related to the

COVID-19 pandemic, being reasonable and necessary, and complying with equipment and construction requirements.

In addition, the office did not complete any after the award monitoring, including collecting Davis-Bacon wage certifications related to subrecipients' construction projects as required by federal regulations.

**Questioned Costs:** We question costs of over \$52 million. Specifically, \$19,748,561 for 84.425D (ESSER I and II) and \$32,288,058 for 84.425U (ESSER III). We calculated this amount by summing the payments from the cash draws we tested that lacked sufficient documentation. The potential questioned costs could be higher since our testing was limited to cash requests over \$1 million.

**Context:** During the audit period, over \$257 million of ESSER grants were paid to LEAs.

We tested 27 ESSER cash requests over \$1 million each in fiscal years 2022 and 2023. Total payments made to subrecipients from these cash draws exceeded \$77 million. We first considered support retained at the office. We also requested further support from LEAs in an attempt to consider all information available. Not all requested support was provided. We reviewed what was provided as part of our testing. This was not a sample as we tested all cash requests above \$1 million. Each cash request contained a variety of items on the same request.

We noted the following:

- Documentation in 12 out of the 27 cash requests tested did not indicate how the expenses related to preventing, preparing for, and responding to COVID-19 pandemic.
- 14 out of the 27 cash requests tested did not have enough detail to determine if the costs were reasonable and necessary.
- 12 of the cash requests reviewed involved construction and the office did not review any wage certifications during the audit period. In addition, there was no monitoring of LEAs' compliance related to equipment and real property management requirements beyond compliance certifications by the LEAs.
- Descriptions on two cash requests indicated ESSER funds were spent on items we believe are unreasonable or have no clear connection to the pandemic. These costs include t-shirts for a new teacher event and massage chairs for a teacher's lounge.

Overall, the cash requests are more detailed than in the prior audit, but they still are not sufficient to meet the office's obligation to ensure subrecipients' compliance with federal regulations. In addition, fiscal year 2023 was the third year of ESSER spending, indicating there has been time to set up an after the award subrecipient monitoring program.

**Repeat Finding:** This is a repeat finding and was reported as Single Audit finding 2021-036 in the audit for the two fiscal years ended June 30, 2021.

**Effect:** The office is not in compliance with federal regulations and subrecipients may have spent ESSER funds on activities not allowed by federal requirements, to prevent, prepare for,

and respond to the coronavirus pandemic, or on items that are not necessary and reasonable for the performance of the federal award.

**Cause:** The office believes there was sufficient detail on the cash requests for the office to decide on the reasonableness, necessity, and allowability under ESSER regulations.

The office agrees that subrecipient monitoring was not sufficient during the audit period, but since there are three funding sources that all have the same allowable uses, personnel decided they would monitor all phases of the grant using one self-assessment. The office sent out a monitoring survey at the end of the audit period, but no responses had been received during fiscal year 2023. The office noted that they will conduct additional monitoring, particularly for unique activities like construction projects, to ensure ESSER compliance.

ESSER is defined in the compliance supplement as a “higher risk” federal program, because of the additional risk associated with certain COVID-19 funding. We believe the office’s decision to monitor three years into the grant is not sufficient for the following reasons:

- LEAs spent funds on unusual activity, like construction projects. These projects have different compliance requirements than the other federal grants most LEAs receive.
- Less than 20 percent of LEA ESSER subrecipients will receive an audit that requires any federal compliance testing.
- If the office finds issues this late in the grant process, it will be difficult to recover funds from LEAs.

We believe federal requirements direct the office to use a combination of sufficient documentation at the time of disbursement and strong monitoring procedures to ensure LEAs properly comply with applicable allowable cost requirements.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Strengthen internal controls to ensure subrecipient grant expenditures comply with federal program requirements.
- B. Obtain sufficient documentation of subrecipient expenditures to ensure costs are related to the pandemic and are reasonable and necessary for performance of the federal award.
- C. Monitor subrecipients’ compliance with construction and equipment requirements, including reviewing wage certifications for construction projects.

**Views of Responsible Officials:** The office concurs with the recommendation. For additional information regarding the office’s planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-033:** U.S. Department of Education  
ALN #84.010, Title I Grants to Local Educational Agencies (Title I)  
Grant #S010A220026 - 22A, S010A210026 - 21A, and S010A200026 - 20A

**Criteria:** Federal regulation, 2 CFR 200.403(a) and (g), states costs are allowable when they are necessary and reasonable for the performance of the federal award and adequately documented.

Title I of the Elementary and Secondary Education Act of 1965, 20 U.S.C. 6303(a)(1), provides that seven percent of the Title I funds received are spent on school improvement.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Office of Public Instruction (office) identifies schools that need more assistance because of lower performance indicators and designates a portion of its Title I funds for school improvement activities. School improvement expenditures include subawards made to schools and costs incurred by the office to support these targeted schools on a statewide level. The office refers to these programs as “Targeted Support and Improvement” or “Comprehensive Support and Improvement.”

We tested 11 high-dollar office purchases that were charged to the school improvement project codes. For three of these transactions, the office was unable to provide documentation supporting its use of statewide school improvement funds. The office’s controls did not ensure sufficient documentation was retained to support the costs being charged to school improvement funds.

**Questioned Costs:** We identified known questioned costs of \$5,885, which is the amount of the three expenditure transactions that were not supported. The office spent a total of \$2,401,041 in school improvement funds in fiscal years 2022 and 2023. We reviewed \$643,841, of which \$5,885 were not supported. Based on this, we estimate likely questioned costs exceed \$25,000.

**Context:** The unsupported purchases include purchasing a laptop, docking station, and 175 copies of “Driven by Data 2.0: A practical Guide to Improve Instruction”. Documentation is unclear on who the equipment was purchased for, how the books were used or distributed, and why school improvement funds were most appropriate for the purchases.

**Repeat Finding:** Montana’s prior Single Audit report for the two fiscal years ended June 30, 2021, included a recommendation (#2021-043) to the office to develop internal controls to

ensure earmarked funds are spent on allowable activities and improve documentation to support cost allowability, and to comply with earmarking requirements in the prior Single Audit report.

**Effect:** The office is not complying with federal regulations regarding expenses charged to school improvement funds, leading to questioned costs and noncompliance with the requirement to spend seven percent of its funding on school improvement.

**Cause:** Office personnel noted that the laptop and docking station were purchased for the Director of School Improvement and that the books were purchased and distributed to schools identified as Comprehensive Support and Improvement, with only a case of books left at the office for future distribution. However, documentation to support the purpose for purchases was not maintained in sufficient detail to determine if the use of school improvement funds was appropriate. Internal controls for federal programs require documentation of how the funds will be used at the time of purchase. For example, the purchase form for the laptop should explain how the laptop directly benefits schools identified as Targeted or Comprehensive Support and Improvement schools and why the cost is not an administrative or indirect cost.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Implement internal controls to ensure the office documents the purpose of school improvement fund expenditures.
- B. Expend school improvement allocations in accordance with federal regulations.

**Views of Responsible Officials:** The office partially concurs with the recommendation. Management agrees that the office did not provide sufficient documentation for the transactions in question but is confident that the use of the funds was appropriate.

**Rebuttal of Views of Responsible Officials:** We considered the office's partial concurrence. As noted above, internal controls for federal programs require documentation of how the funds will be used at the time of purchase, and therefore an internal control deficiency exists even if the use of funds was appropriate. To be allowable, costs must be necessary, reasonable, and adequately documented. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-034:** U. S. Department of Education  
ALN #84.010, Title I Grants to Local Educational Agencies (Title I)  
Grant #S010A220026 – 22A, S010A210026 – 21A, and S010A200026 –  
20A

**Criteria:** Federal regulation, 2 CFR 200.403(a) and (g), states that costs are allowable when necessary and reasonable for the performance of the federal award and adequately documented.

Federal regulation, 2 CFR 200.430(i), states salaries and wages charged to a federal award must be based on records that accurately reflect the work performed. Paragraph 430(i)(1)(viii)(A) &(B) allows for budgeted estimates if the estimates produce reasonable approximations of the activity actually performed and significant changes are identified and entered into the records in a timely manner.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Office of Public Instruction's (office) controls were not adequate to ensure compliance with federal regulations related to personal service costs.

**Questioned Costs:** We question \$1,900,796 in Title I costs, which is the amount of unsupported personal service costs.

**Context:** Office personal service costs were allocated to the Title I program based on a budget in the state's accounting system that was not supported by a time and effort certification. Office staff do not track time and effort to ensure amounts allocated to the Title I program are supported by actual records that reflect the work performed for the program. The office is allowed to use budget estimates but needs to track actual time to determine if those budget estimates are reasonable approximations of the activity performed.

**Effect:** The office does not have controls to ensure that only allowable costs are allocated to Title I because there is not adequate support to demonstrate personal services costs are allocated to the federal program where work is performed. This resulted in questioned costs of over \$1.9 million.

**Cause:** Controls are not in place to require employees to track their time, so time and effort certifications are not completed periodically to ensure time is allocated to the correct programs. Office staff notes that the state's accounting system is the official time record where employees



report their time and supervisors approve and that employees have been directed to record their actual time worked by federal grant. However, five Title I employees reported using estimated percentages when recording their time. In addition, there is no documented control procedure instructing staff to record their actual time in the state's accounting system.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Implement internal controls to ensure personal services costs are adequately documented and reflect actual time and effort for the Title I program.
- B. Allocate personal service costs based on support for actual time and effort on the Title I program, in accordance with federal regulations.

**Views of Responsible Officials:** The office concurs with the recommendation. For additional information regarding the office's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III Federal Award Findings and Questioned Costs**

**Finding 2023-035:** U.S. Department of Education  
ALN #84.010, Title I Grants to Local Educational Agencies (Title I)  
Grant #S010A220026 - 22A, S010A210026 - 21A, S010A200026 - 20A

**Criteria:** Federal regulation, 2CFR 200.334, requires non-federal entities to retain records related to the federal awards for three years past the submission of the final expenditure report.

Federal regulation, 2 CFR 200.332(d), requires pass-through entities to "Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved."

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Office of Public Instruction (office) uses a spreadsheet to track monitoring reviews for subrecipients of the Title I program. The spreadsheet is designed to track both the schedule and the completion status of all monitoring reviews. The completion status for monitoring reviews scheduled to be performed in fiscal years 2022 and 2023 was not complete by August 2023, which is the month the spreadsheet was provided for audit. Internal controls were not adequate to ensure relevant columns were updated to demonstrate compliance with federal regulations.

Further, the office could not demonstrate compliance with monitoring requirements because the documentation of the monitoring reviews, including the completion of a monitoring checklist, was incomplete.

**Questioned Costs:** No questioned costs identified.

**Context:** On average, the office plans to monitor about 29 Local Educational Agencies (LEAs) each year. Checklist forms are used to document monitoring and a spreadsheet is used to track the progress of multiple reviews. The spreadsheet used to track and document all Title I monitoring reviews was not complete and the office could not provide documentation all planned subrecipient monitoring reviews were complete. Of the 60 LEAs sampled, nine were missing a complete monitoring checklist. Therefore, there is no evidence demonstrating that all required monitoring reviews took place. The sample was not statistically valid.

**Effect:** The office did not comply with federal regulations. Also, the risk the office will not detect noncompliance on the part of a subrecipient increases when planned subrecipient monitoring does not occur.

**Cause:** Staff indicated that the upkeep of this spreadsheet was the responsibility of the Title I Administrative Assistant, a position vacant for nearly two years at the time of testing.

The office switched the form used to document monitoring reviews. The new form documents exceptions rather than the entire review. Additionally, staff indicated files for two LEAs were missing due to a glitch with the network folder on which they were stored during a software update.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Improve internal controls by requiring and maintaining documentation related to the Title I subrecipient monitoring process.
- B. Conduct monitoring of subrecipient activities and retain documentation of monitoring reviews, as required by federal regulations.

**Views of Responsible Officials:** The office concurs with the recommendation. For additional information regarding the office's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-036:** U.S. Department of Education  
ALN #84.010, Title I Grants to Local Educational Agencies (Title I)  
Grant #S010A220026 - 22A, S010A210026 - 21A, and S010A200026 - 20A

**Criteria:** Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Internal controls are inadequate to ensure the Office of Public Instruction (office) complies with the federal level of effort requirements. These regulations require the office to reduce a Title I allocation if a Local Educational Agency (LEA) fails to maintain fiscal effort in the prior year and one or more of the five immediately preceding fiscal years. Maintaining fiscal effort means continuing to spend at least 90 percent of what was spent the previous year in state and local funding. Prior to fiscal year 2023, the office used a spreadsheet to track when LEAs failed to maintain effort, so they could reduce allocations if necessary. However, in fiscal year 2023, the office did not track LEAs not meeting fiscal requirements.

**Questioned Costs:** No questioned costs identified.

**Context:** Approximately 400 LEAs receive Title I allocations each year. In fiscal year 2023, six LEAs did not meet level of effort requirements, but their noncompliance was not tracked by the office. Title I funds may only be used to supplement, rather than supplant, non-federal sources of funding for the education of participating students. None of the six LEAs were required to have a reduction in their allocation during the audit period because they had maintained fiscal effort during the other five immediately preceding fiscal years. However, per our review of the noncompliant LEAs and their maintenance of effort history documented on the spreadsheet, the office needs to reduce the allocation for one LEA in the future. There is a risk the office will not comply in future years if the tracking spreadsheet is not filled out consistently.

**Effect:** If the office does not reduce allocations, they are not complying with federal regulations and noncompliant LEAs will receive more federal funds than they are entitled to receive.

**Cause:** Between fiscal years 2022 and 2023, there was turnover in the position that maintained the office's tracking spreadsheet and the successor to the position was not assigned the task of maintaining the fiscal year 2023 spreadsheet.

**Recommendation:** We recommend the Office of Public Instruction enhance controls to ensure documentation is maintained for Local Educational Agencies' level of effort to ensure allocation reductions are made when required.

**Views of Responsible Officials:** The office concurs with the recommendation. For additional information regarding the office's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-037:** U.S. Department of Education  
ALN #84.010, Title I Grants to Local Educational Agencies (Title I)  
Grant #S010A220026– 22A, S010A210026– 21A, and S010A200026– 20A

**Criteria:** The Office of Public Instruction (office) makes an agreement with the federal government that negotiates an indirect cost rate. The office’s indirect cost agreement specifically excludes subgrants from costs the indirect cost rate can be applied to.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Federal grants allow both direct and indirect costs. Direct costs can be identified as benefiting a particular grant, while indirect costs benefit the organization as a whole. The indirect cost rate is a percentage the office can charge federal grants for indirect costs. In fiscal year 2022, office staff incorrectly included subgrant expenditures in their indirect cost recovery calculation. A total of \$57,954 was drawn for these unallowed costs. Therefore, the office’s controls are inadequate to ensure compliance with federal regulations related to indirect cost recoveries.

**Questioned Costs:** We question \$57,954 in indirect cost recoveries resulting from applying the indirect cost rate of 14.4 percent against \$402,457 in subgrant expenditures.

**Context:** In fiscal year 2022, the office applied the indirect cost rate to \$1,985,783 of Title I expenditures of which \$402,457 were related to subgrants. This resulted in indirect cost recoveries of \$78,678, of which \$57,954 were unallowed.

**Effect:** The office received reimbursement from the federal government for costs not allowed for indirect cost recovery.

**Cause:** The office’s internal controls were not adequate to prevent or detect the inclusion of unallowed costs in their indirect cost recovery calculation. Office staff agree subawards should not be included in indirect cost recovery but do not know why the error occurred.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Implement controls to ensure indirect costs are only recovered for allowable costs.
- B. Apply the indirect cost rate only to expenditures allowed in the approved indirect cost proposal.

**Views of Responsible Officials:** The office concurs with the recommendation. For additional information regarding the office's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-038:** U.S. Department of Education  
ALN #84.010, Title I Grants to Local Educational Agencies (Title I)  
Grant #S010A220026 - 22A, S010A210026 - 21A, S010A200026 - 20A

ALN #84.367, Supporting Effective Instruction State Grants (Title II)  
Grant #S367A220025, S367A210025, S367A200025

ALN #84.365, English Language Acquisition State Grants (Title III)  
Grant #S365A22002, S365A20002

ALN #84.424 Student Support and Academic Enrichment Program (Title  
IV)  
Grant #S424A200027

**Criteria:** Federal regulation, 2 CFR 200.332(d), requires pass-through entities to "Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved."

Federal regulation, 2 CFR 200.403(a) and (g), states costs are allowable when they are necessary and reasonable for the performance of the federal award and adequately documented.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Office of Public Instruction (office) reimbursed Local Educational Agencies (LEAs) without receiving sufficiently detailed documentation to determine whether the LEAs were seeking reimbursement for allowed activities or allowable costs. Internal controls were not adequate to ensure proper documentation is received from the LEAs before making a reimbursement. We also addressed incomplete subrecipient monitoring in finding number 2023-035.

**Questioned Costs:** We question \$5,943,419 in Title I payments that were reimbursed without adequate support. This amount represents the errors found in eight out of ten tested sample items. Given a total population of \$102,446,866, we estimate likely questioned costs exceed \$25 million for the Title I program. Additionally, we question \$523,706 in Title II costs, \$66,040 in Title III costs, and \$73,152 in Title IV costs, as these were part of the same subrecipient cash requests reviewed for the Title I program.



**Context:** The major federal program we tested was Title I. The objective of the program is to improve the teaching and learning of children who are at risk of not meeting challenging state academic standards and who reside in areas with high concentrations of children from low-income families. We designed a sample to test 60 items out of a population of 4,214 reimbursements. This sample was not statistically valid. We tested the first 10 sample items and found inadequate documentation for eight. We considered this material noncompliance and did not test the remaining 50 items. We noted the following exceptions:

- One closeout cash request for \$62,795 included no documentation to indicate what costs the LEA incurred.
- Most cash requests for salary and fringe benefits lacked the names of individuals compensated, the roles/titles of personnel, and the dates associated with the compensation.
- Documentation did not provide enough detail to discern whether costs were necessary for or related to the Title I program.
- One cash request included supplies of \$146,646, including food purchases for pizza, although the office's own monitoring tool indicates, "Activities offered using Title I funds must provide information to or build the capacity of parents and families to support their child's academic achievement. Open houses, Muffin/Donut days, BBQs, or other meet-and-greet activities are unacceptable." We cannot tell how much was spent on pizza because it was combined with other items.

Office approval is typically limited to comparing the approved budget categories on the Grant Application Notification (GAN) to the budget categories on the LEA's cash request.

Title I is part of the Elementary and Secondary Education Act (ESEA). Federal regulations allow states to accept consolidated applications for all titles included under ESEA. The office accepts consolidated applications from the school districts. Under the ESEA consolidated application, school districts are able to submit a schoolwide cash request for all federal titles included under their consolidated application. In our review, we identified eight questioned cash requests, six were for schoolwide cash requests. While Title II, Title III and Title IV were not major federal programs, the known questioned costs for these three programs exceeded the federal reporting threshold.

**Effect:** The office reimbursed LEAs for Title I costs that were not adequately supported at the time of reimbursement. This increases the risk that LEAs used Title I funds for unallowable activities or unallowed costs. Finally, subrecipient monitoring procedures were not sufficient to comply with federal regulations.

**Cause:** Office staff believe they are requesting sufficient documentation, and they said the cash requests and applications contain all the information for office staff to be confident in the expenditures. Office staff also note that they can request more information from LEAs if there is something they are not confident about. They point out that LEAs receive annual independent audits and the office must depend on the accuracy and reliability of those audit processes and reports. However, based on office documentation, less than 17 percent of Title I LEAs get an audit with federal compliance testing. In addition, federal regulations require more subrecipient

monitoring than reviewing audit reports, and we found noncompliance with the office's other subrecipient monitoring procedures during the audit period.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Implement internal controls to require LEAs to submit adequate documentation with reimbursement requests.
- B. Only reimburse LEAs for expenditures when their documentation is sufficient to determine if the costs are allowable to the program, in accordance with federal regulations.

**Views of Responsible Officials:** The office partially concurs with the recommendation. Management notes that they increased the documentation requirements for cash requests at the end of the first year of the audit period. LEAs are required to maintain all receipts and provide them upon request. Management also notes no request for additional LEA documentation was included as part of this audit process.

**Rebuttal of Views of Responsible Officials:** We considered the office's partial concurrence. Cash requests from both years of the audit period were tested, and instances of insufficient documentation were found throughout the audit period. While we are not prohibited from requesting subrecipients' documentation during an audit, we are not required to do so. It is our position that unless the office maintains this documentation or documents their monitoring activities, compliance with the requirements applicable to the office cannot be demonstrated. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-039:** U. S. Department of Education  
 ALN #84.371 Comprehensive Literacy Development Program  
 Grant #S371C190012, S371C190012-19A, S371C190012-20,  
 S371C190012-21

**Criteria:** Federal regulation, 2 CFR 200.332(d), requires pass-through entities to “Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”

Federal regulation, 2 CFR Part 200.403(a) and (g), require costs to be necessary and reasonable, as well as adequately documented.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Office of Public Instruction (office) subrecipient monitoring process related to the Comprehensive Literacy State Development Program did not include obtaining sufficient documentation on cash requests to ensure funds were used for allowable activities and costs as required by federal regulations. This is also a control deficiency related to activities allowed, allowable costs, and subrecipient monitoring.

**Questioned Costs:** We question \$659,331 of the cash requests we reviewed. There may be more questioned costs for items we did not review.

**Context:** We sampled 22 cash requests from 10 Local Educational Agencies (LEAs) out of a population of 120 LEAs. The total amount of cash requested for these sample items was \$886,597. The sample was not statistically valid.

Twelve cash requests lacked adequate detail to determine if all the costs were for allowable activities and costs. Four of the errors, totaling \$254,234 were related to the final cash requests, where there was no documentation on how the LEA spent the remaining funds.

The other eight requests did not contain adequate support to ensure the costs were reasonable and necessary. For example, one cash request’s description said, “Lease payments for Literacy van to transport students to afterschool program.” The LEA requested \$29,519, split between pre-k, elementary, middle, and high school. We do not believe the support had enough detail for the

office to determine the time period covered by the request, if the lease payment was excessive, or if the lease was for more than one van.

**Effect:** Without adequate controls over cash requests, the office has reimbursed subrecipients for expenses that may be unallowable, or unnecessary and unreasonable for performance of the federal award. The office did not comply with federal regulations related to activities allowed, allowable costs, and subrecipient monitoring.

**Cause:** The office agrees that LEAs do not always providing sufficient descriptions in cash requests, but they noted program staff visited LEAs at least bi-monthly to physically review items that the money was spent on at the beginning of the grant, with continued visits as needed during the audit period.

However, based on our follow up, the onsite reviews did not include reviewing the support the LEA retains for purchases related to cash requests. Instead, they focused on other subrecipient monitoring activities, such as reviewing evidence of the impact of expenditures, like improved reading scores. While useful, these activities do not address concerns about cash request documentation, because there is no evidence that the office reimbursed the actual amount spent.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Strengthen subrecipient monitoring internal controls to ensure subrecipient grant expenditures are for allowable costs and activities.
- B. Obtain sufficient documentation of subrecipient expenditures to ensure compliance with federal awards requirements.

**Views of Responsible Officials:** The office partially concurs with the recommendation.

Management notes that they increased the documentation requirements for cash requests at the end of the first year of the audit period. LEAs are required to maintain all receipts and provide them upon request. Management also notes no request for additional LEA documentation was included as part of this audit process.

**Rebuttal of Views of Responsible Officials:** We considered the office's partial concurrence. Cash requests from both years of the audit period were tested, and instances of insufficient documentation were found throughout the audit period. While we are not prohibited from requesting subrecipients' documentation during an audit, we are not required to do so. It is our position that unless the office maintains documentation, or documents their monitoring activities, compliance with the requirements applicable to the office cannot be demonstrated. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-040:** U. S. Department of Education  
ALN #84.371 Comprehensive Literacy Development Program (Literacy)  
Grant #S371C190012 – 19A, S371C190012 – 20, S371C190012, and  
S371C190012– 21

**Criteria:** Federal regulation, 2 CFR 200.332(b), requires non-federal entities to evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Office of Public Instruction (office) subgrants funds to Local Educational Agencies (LEAs) for various federal programs. The office maintains one overall risk assessment spreadsheet for subrecipients for all programs (spreadsheet). The office does not have adequate controls to ensure Literacy program staff complete the Literacy Federal Program column of the risk assessment for all Literacy subrecipients. We identified four LEAs that did not have a risk evaluation during fiscal year 2022, as required by federal subrecipient monitoring requirements.

**Questioned Costs:** No questioned costs identified.

**Context:** In state fiscal years 2022 and 2023, 33 LEAs were allocated funds by the office for the Literacy Grant. The four LEAs not receiving a risk evaluation in fiscal year 2022 were allocated \$854,412. Risk evaluations are important because they are used to determine the appropriate subrecipient monitoring. Our review included all 33 LEAs.

In addition, the spreadsheet did not have documented risk levels for two LEAs in fiscal year 2023. The Literacy program personnel evaluated risk on a separate document and said they entered a risk level on the spreadsheet as well. However, the spreadsheet provided contained “NA” for the two LEAs. Internal audit staff use the risk levels on the spreadsheet, along with other information, to determine a LEA’s overall risk for the office and appropriate subrecipient monitoring procedures.

**Effect:** The office does not have adequate controls in place to ensure all LEAs have a documented risk level on the final spreadsheet and the office was not in compliance with federal regulations during fiscal year 2022.

When the spreadsheet is incomplete, subrecipient monitoring procedures may be inadequate and misspent funds may not be identified through subrecipient monitoring procedures.

**Cause:** Department personnel agree there were subrecipients missed during fiscal year 2022 but are not sure why. The program staff and internal auditor were not involved in the risk assessment process at that time. In fiscal year 2023, program staff reported completing a risk level on the spreadsheet, but on the final spreadsheet line items in error said “NA”. This indicates the spreadsheet may have accidentally gotten changed during the risk assessment process.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Enhance internal controls to ensure the overall risk assessment spreadsheet contains a risk level for all LEAs for the Comprehensive Literacy State Development program.
- B. Assess risk for all subrecipients receiving Comprehensive Literacy State Development funds, as required by federal regulations.

**Views of Responsible Officials:** The office concurs with the recommendation. For additional information regarding the office’s planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-041:** U. S. Department of Education  
 ALN #84.371 Comprehensive Literacy Development Program (Literacy)  
 Grant #S371C190012, S371C190012-19A, S371C190012-20, and  
 S371C190012-21

**Criteria:** The Elementary and Secondary Education Act of 1965 Section 2221 (b) (2) defines an eligible entity as one or more local educational agencies (LEAs) that serve a high percentage of high-needs schools and meets other criteria, such as having a high percentage of children reading below grade level or a high proportion of students with special needs codified at 20 U.S.C. 6301 et. Seq.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Office of Public Instruction (office) awarded Literacy funds to LEAs that were not eligible per federal regulations. Internal controls were not in place to prevent and/or detect the noncompliance.

**Questioned Costs:** We estimate known questioned costs of \$6,953,818 using actual payments to LEAs out of the office’s grant system.

**Context:** We tested all 43 LEAs receiving allocations during fiscal years 2022 and 2023. The office had a tab on their allocation spreadsheet labeled “qualifying schools.” Office staff indicated they believed all eligible LEAs came from that tab but were not sure as they were not involved in the final eligibility determinations. We found five LEAs receiving allocations were not on the qualifying schools tab, indicating the spreadsheet was not used as an effective control to determine eligibility.

In addition, we identified nine LEAs that did not qualify under federal regulations because they were not LEAs serving a high percentage of high needs schools and a LEA with the highest percentage of students reading or writing below grade level. The five LEAs excluded from the spreadsheet were part of the nine ineligible LEAs. We considered further support provided by the office, but it was not sufficient to demonstrate that any of the nine LEAs we identified were eligible.

**Effect:** The office did not comply with federal regulations, so we questioned approximately \$6.95 million of Literacy LEA costs. This also indicates the office’s internal controls were not in place and working as intended during fiscal years 2022 and 2023. In addition, LEAs that did not

receive funding might have been chosen for the grant if the office had not used the less restrictive criteria.

**Cause:** The office submitted information to the federal government during the application process that included conflicting eligibility requirements: one version had an “and” indicating an LEA needed to meet two eligibility elements, and the other information included an “or,” considering LEAs eligible if they met either requirement.

The office submitted both versions of the eligibility requirements with their federal application. They believe the federal government approved the less restrictive version and that all LEAs given funds qualify under that criterion. Final eligibility determinations were not documented, indicating controls were not in place and designed to be effective.

We tested against the more restrictive version because it aligns with the Elementary and Secondary Education Act (ESEA) criteria which requires meeting high-needs school percentages and another condition, such as a high percentage of children reading below grade level.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Implement eligibility internal controls to ensure only eligible subrecipients are allocated funding.
- B. Comply with federal eligibility regulations.

**Views of Responsible Officials:** The office does not concur with the recommendation. Management notes that the U.S. Department of Education approved the application eligibility requirements.

**Rebuttal of Views of Responsible Officials:** We considered the office’s nonconurrence. As noted above, two conflicting sets of application eligibility requirements were submitted for approval to the U.S. Department of Education, and it is unclear which set was approved. The criteria in the Elementary and Secondary Education Act requires two conditions be met for eligibility. It is our position that both conditions should have been used to make eligibility determinations. As such, our recommendation stands.



**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-042:** U.S. Department of Education  
 ALN #84.371 Comprehensive Literacy Development Program  
 Grant #S371C190012, S371C190012-19A, S371C190012-20, and  
 S371C190012-21

**Criteria:** Federal regulation, 34 CFR 75.118, requires a recipient wanting to receive a continuation award to submit a performance report that provides the most current performance and financial expenditure information.

Federal regulation, 34 CFR 75.720, requires these reports to be submitted annually unless the Secretary allows less frequent reporting.

Federal regulation, 2 CFR 200.334, requires retaining supporting documents related to a federal award for three years from the date of the final expenditure report.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Office of Public Instruction (office) submitted a performance report to receive a Comprehensive Literacy State Development Program grant continuation award. The office's internal controls were not adequate to ensure the amounts submitted were accurate and supported. We could not verify the accuracy of the "Other" line amounts in the third annual report (year three) Comprehensive Literacy Grant Annual Performance Report submitted during fiscal year 2023 because documentation was not retained.

**Questioned Costs:** No questioned costs identified.

**Context:** The year three report includes total expenditures of \$8,715,409, of which \$8,265,108 is not supported. The unsupported amount is related to expenditures reported on the "Other" line, primarily subrecipient allocations.

**Effect:** Per federal regulations, if the office submits an inaccurate performance report, continued funding for the grant can be denied. The office did not submit a report that complied with federal regulations.

**Cause:** Program staff indicated that the "Other" line amount mainly includes subrecipient information and should reflect actual expenditures plus subrecipient allocations. Due to staff turnover, supporting documentation was not retained. The state's accounting system reports

actual expenditures, not allocations so it cannot be used to support the “Other” line item. Additionally, a new report cannot be generated from their grant system to support the report, as the allocations were point in time information that cannot be recreated.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Implement internal controls to ensure the report is supported before submission in accordance with federal regulations.
- B. Maintain support for amounts reported on the annual performance report as required by federal regulation in order to demonstrate accurate reporting.

**Views of Responsible Officials:** The office concurs with the recommendation. For additional information regarding the office’s planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-043:** U.S. Department of Education  
 ALN #84.027, 84.027A, 84.027X, 84.173, 84.173A, and  
 84.173X, Special Education Cluster (IDEA) (COVID-19)  
 Grant #H027A200096-20A, H027A210096-21A, H027A220096,  
 H027A220096-22A, H027X210096, H173A210099,  
 H173A220099, H173X21099

**Criteria:** Federal regulation, 34 CFR 300.705(b)(3), requires that the state allocate certain percentages of funding to schools based on the number of children enrolled in those schools. It also requires that a portion of funds be allocated based on the number of children living in poverty in each school. The Office of Public Instruction (office) performs these allocations for the state.

Federal regulation, 2 CFR 200.303, requires non-federal entities to, among other things, establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-Federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

**Condition:** Two schools' poverty information was missing when the office performed the allocations in fiscal year 2022, resulting in misallocations for all schools. In addition, controls were not working as intended.

**Questioned Costs:** No questioned costs identified.

**Context:** During fiscal year 2022, the office had to perform four calculations in order to determine allocations of special education funds to schools. These included the special education funds, special education preschool funds, and the pandemic funds associated with both of these.

While performing these allocations, the office incorrectly documented zero students living in poverty for two schools. Both schools were under-allocated funds, while all other schools received over-allocations. Those two schools were under-allocated approximately \$290,000 and \$470,000. The over-allocations ranged from approximately \$1 to \$30,000. The average over allocation was approximately 3 percent of each school's total allocation.

While the office does perform various checks and reviews of data, controls were not sufficient to identify these errors.

**Effect:** As a result of these issues, school districts in Montana initially received incorrect amounts of special education funding from the office. The office reports they have corrected

the errors, but they were not in compliance with federal regulations and did not have effective controls in place to prevent material noncompliance during the audit period.

**Cause:** The office staff indicated that they do perform various reviews of the data used in the allocation but did not identify this issue. When the data was submitted by the schools it contained commas, that the computer system could not read and defaulted to zero. The office staff did not identify this while performing the required allocations.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Enhance internal controls to ensure allocations of special education funds comply with federal regulations, and
- B. Comply with federal regulations regarding allocations to schools.

**Views of Responsible Officials:** The office concurs with this recommendation. For additional information regarding the office's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-044:** U. S. Department of Education  
 ALN #84.027, 84.027A, 84.0247X, 84.173, 84.173A, and  
 84.173X Special Education Cluster (IDEA) (COVID-19)  
 Grant #H027A200096-20A, H027A210096-21A, H027A220096,  
 H027A220096-22A, H027X210096, H173A210099, H173A220099,  
 and H173X21099

**Criteria:** Federal regulation, 34 CFR 300.163(a), states, “A State must not reduce the amount of State financial support for special education and related services for children with disabilities, or otherwise made available because of the excess costs of educating those children, below the amount of that support for the preceding fiscal year.”

An Office of Special Education Programs (OSEP) 10-5 memo also states, “...a State needs to include in its calculation of ‘State financial support for special education and related services’ funds other agencies provide to the SEA for such services, funds other agencies provide directly to LEAs for the services, and funds other agencies directly pay to staff or contractors for the delivery of the services...”.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Office of Public Instruction (office) does not have adequate controls in place to ensure they are capturing all state support for special education to monitor and document compliance with federal maintenance of state fiscal support requirements. In state fiscal years 2022 and 2023, the office did not provide appropriation information for two other state agencies, the Department of Corrections and the Department of Public Health and Human Services, that spend state funds on special education. Additionally, several staff members maintained different versions of the worksheet used to track this requirement, and some of their own information could not be reconciled with supporting documentation. It was unclear which was the official version. We could not determine if the office complied with the state financial support requirement without appropriation information from all agencies involved.

**Questioned Costs:** No questioned costs identified.

**Context:** Federal regulations require the office to make state funds available at least at the level of the prior year. The federal government followed-up on the prior audit recommendation and noted that using a budget or appropriation to measure “state funds available” is appropriate. The state legislature appropriates funds of the office for the special education program. The state

legislative house bill that appropriates funding shows the special education funding for the office and the School of the Deaf and Blind; however, it does not show the details for the Department of Corrections (Corrections) and the Department of Public Health and Human Services (DPHHS). The office did not obtain support for the amount appropriated for special education from Corrections or DPHHS.

Additionally, the different versions of the tracking spreadsheet used by the office include both actual expenditures and budgeted amounts. The initial version provided did not include support from the other state agencies. The second version provided only included state fiscal year 2023 and was missing support for one of the state agencies. The third version included budget and actual amounts and lacked support for two state agencies. Additionally, amounts for one of the state agencies were different from that on version two.

**Repeat Finding:** Montana's prior Single Audit for the two fiscal years ended June 30, 2021, included a recommendation (#2021-041) to the office regarding maintenance of state financial support requirements.

**Effect:** Without adequate controls or an accurate method for tracking efforts, the office risks not meeting federally required maintenance of state financial support requirements, which could result in fewer federal fund allocations of special education funding. Additionally, the office is not in compliance with federal regulations regarding what activity should be included in their calculation.

**Cause:** During the audit period, in response to the prior audit recommendation, the office used both expenditures and budgeted amounts in their spreadsheets. Internal controls are inadequate, because they did not identify the right basis to use. In addition, there are not controls documented to identify the staff member responsible for ensuring the state maintains financial support and that all state agencies have an appropriation for their state special education funding.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Document controls over the maintenance of state financial support, which includes the basis to use, the staff responsible, and data to use.
- B. Accurately and completely track maintenance of state financial support to ensure federal requirements are met.

**Views of Responsible Officials:** The office concurs with the recommendation. For additional information regarding the office's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-045:** U.S. Department of Education  
 ALN #84.425D and #84.425U, Education Stabilization Fund (ESF) (COVID-19)  
 Grant #S425D210006 and S425U210006

**Criteria:** Federal regulation, 2 CFR 170, Appendix A(I)(a) and (a)(2)(ii), requires non-federal entities to report to the Federal Funding Accountability and Transparency Act (FFATA) reporting system each action that equals or exceeds \$30,000 in federal funds for a subaward to a non-Federal entity. The report should be submitted no later than the end of the month following the month in which the obligation was made.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** During fiscal years 2022 and 2023, the Office of Public Instruction (office) did not file all the required FFATA reports for its subrecipients of the Elementary and Secondary School Emergency Relief (ESSER) funds, as required by federal regulations. Additionally, those filed were not always accurate. The office's controls were not sufficient to ensure they were reporting complete and accurate information.

**Questioned Costs:** No questioned costs identified.

**Context:** The ESSER fund is part of the Education Stabilization Fund. There were three phases of ESSER. Phases II and III were allocated to Local Educational Agencies (LEAs) during the audit period.

The following allocations should have been reported:

- ESSER II: 352 subrecipients totaling \$158,087,579
- ESSER III: 364 subrecipients totaling \$346,846,641

The office reported:

- ESSER II: 254 totaling \$166,384,288
- ESSER III: 266 totaling \$330,373,603

We also tested 5 LEAs, each with 2 subawards as the office thought some of the subawards reported were correct. We found 6 errors out of 10 subawards tested, indicating there is a systematic issue in how the office reported each LEA's information.

In the table below, we note the number of transactions tested in total, which is the sum of the allocations that should have been reported for ESSER II plus ESSER III. The total in the “Subaward not reported” is the total transactions tested less the amounts the office did report. The “Subaward amount incorrect” summarizes the 6 out of 10 errors we found when we tested amounts the office reported for each LEA in the federal reporting system as compared to the actual final allocations.

Summary of ESSER FFATA Report Testing					
	Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
# of items	716	196	Not Tested*	6	Not Tested*
Dollar Value	\$504,934,220	\$ 8,176,329	Not Tested*	\$693,075	Not Tested*

\*Items not tested as we had already found material noncompliance.

**Repeat Finding:** Montana’s Single Audit report for the two fiscal years ended June 30, 2021, included a recommendation (#2021-038) related to FFATA reporting.

**Effect:** The office is not in compliance with FFAFTA reporting requirements, limiting the federal grantor agency’s ability to transparently report program activity.

**Cause:** The office provided support for its FFATA reporting. However, the support did not tie to the allocation spreadsheets for ESSER II and III or to what was in the federal website for ESSER. Office staff noted they had trouble getting access to review our questions after a staff member left the office. They noted they had tried to update the FFATA information during fiscal year 2023 when allocations were updated but had further issues with the reporting system. Per our review of the ten allocation amounts noted above, office staff discovered the spreadsheet uploaded into the FFATA system had filtering errors. Therefore, if they had been able to update the allocations, the amounts would have been incorrect even if they had only updated for reallocations. The controls during the audit period included reconciling between the spreadsheet and the FFATA system but did not include reconciling reported allocations to allocations in the office’s grant system. The second reconciliation would have detected the filtering errors.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Enhance internal controls to ensure complete and accurate submission of FFATA reports.
- B. Submit FFATA reports in accordance with federal regulations, including correcting prior reports as needed.

**Views of Responsible Officials:** The office partially concurs with the recommendation. Management believes that many of the issues noted in this finding were the result of communication issues with the FFATA submission system and the USAspending application, which are maintained by the federal government.



**Rebuttal of Views of Responsible Officials:** We considered the office's partial concurrence. As noted above, although the office had issues with accessing and inputting information into the federal systems, the information they intended to input was incorrect. It is our position that errors in the office's FFATA reports would still be present even if there were no communication issues. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-046:** U.S. Department of Education  
 ALN #84.371, Comprehensive Literacy Development Program  
 Grant #S371C190012

**Criteria:** Federal regulation, 2 CFR 170, Appendix A(I)(a) and (a)(2)(ii), requires non-federal entities to report to the Federal Funding Accountability and Transparency Act (FFATA) reporting system each action that equals or exceeds \$30,000 in federal funds for a subaward to a non-Federal entity. The report should be submitted no later than the end of the month following the month in which the obligation was made.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** During fiscal years 2022 and 2023, the Office of Public Instruction (office) did not file the required FFATA reports for its subrecipients of the Comprehensive Literacy State Development program, because personnel had issues with the federal reporting system. They completed one help ticket in order to resolve the issues with the federal system, but their internal control process during the audit period did not require any further follow-up necessary to comply with federal regulations.

**Questioned Costs:** No questioned costs identified.

**Context:** Thirty-three LEAs received subgrants under the program, with allocations each fiscal year. Therefore, the office should have reported at least 66 FFATA reports during the audit period. This was not a sample, as there was nothing reported to test.

The following table summarizes the extent of noncompliance.

<b>Summary of Literacy FFATA Report Testing</b>					
	Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
# of Items	66	66	Not applicable*	Not applicable*	Not applicable*
Dollar Value	\$26,406,971	\$26,406,971	Not applicable*	Not applicable*	Not applicable*

\*-Indicates these items didn't apply since nothing was reported.

**Effect:** The office is not in compliance with federal reporting requirements, limiting the federal grantor agency's ability to transparently report program activity.

**Cause:** The office provided support for their intended submission, but the system rejected it due to an incorrect Federal Award Identification Number (FAIN) for fiscal year 2023. The office submitted one help ticket to resolve the issue, but office personnel report they did not get a response. The office's internal control process during the audit period did not require further follow-up to comply with federal FFATA regulations, so the office did nothing further.

The office could not provide information on any attempted fiscal year 2022 FFATA reports.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Enhance internal controls to ensure the timely and accurate submission of FFATA reports, including a follow-up plan when errors occur.
- B. Submit FFATA reports in accordance with federal regulations, including submitting prior year reports.

**Views of Responsible Officials:** The office concurs with the recommendation. For additional information regarding the office's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-047:** U.S Department of Education  
 ALN #84.010, Title I Grants to Local Educational Agencies (Title I)  
 Grant #A010A210026 and S010A220026

**Criteria:** Federal regulation, 2 CFR 170, Appendix A(I)(a) and (a)(2)(ii), requires non-federal entities to report to the Federal Funding Accountability and Transparency Act (FFATA) reporting system each action that equals or exceeds \$30,000 in federal funds for a subaward to a non-Federal entity. The report should be submitted no later than the end of the month following the month in which the obligation was made.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** During fiscal year 2022 and 2023, the Office of Public Instruction (office) did not accurately file all the required FFATA reports for its subrecipients, Local Educational Agencies (LEAs), for the Title 1 program, as required by federal requirements. The subawards were not reported for fiscal year 2022 or 2023. The office’s internal controls did not detect the missing reports.

**Questioned Costs:** No questioned costs identified.

**Context:** The office allocated \$44,893,490 to 211 LEAs for fiscal year 2022 and \$47,975,343 to 214 LEAs for fiscal year 2023. Review of the federal reporting system showed reports for the fiscal year 2024 grant only, but not for fiscal years 2022 or 2023. We did identify some controls in place for FFATA reporting for Title I. However, the controls were not adequate to prevent noncompliance. The table below summarizes the noncompliance we identified.

<b>Summary of Title I FFATA Report Testing</b>					
	Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
# of items	425	425	Not applicable*	Not applicable*	Not applicable*
Dollar Value	\$92,868,833	\$92,868,833	Not applicable*	Not applicable*	Not applicable*

\*-Indicates the items were not applicable, because nothing was reported.

No subawards were reported in either fiscal year 2022 or 2023, so the transactions tested and reported are the same.

**Repeat Finding:** Montana's Single Audit for the two fiscal years ended June 30, 2021, included a recommendation (#2021-038) to the office regarding FFATA controls.

**Effect:** The office is not in compliance with FFATA reporting requirements, limiting the federal grantor agency's ability to transparently report program activity.

**Cause:** The office provided support for what they intended to report but did not know that the reports never got submitted until the audit process. After office staff researched the issue, they said that the federal government told them to move the reports to reopen status for a system update but that the federal government never told them when to resubmit.

**Recommendation:** We recommend the Office of Public Instruction:

- A. Enhance internal controls to ensure complete and accurate submission of FFATA reports, including a review of the FFATA information after it is submitted.
- B. Submit FFATA reports in accordance with federal regulations.

**Views of Responsible Officials:** The office partially concurs with the recommendation. Management believes that many of the issues noted in this finding were the result of communication issues with the FFATA submission system and the USAspending application, which are maintained by the federal government.

**Rebuttal of Views of Responsible Officials:** We considered the office's partial concurrence. As noted above, the reports were reopened in the federal FFATA submission system at the direction of the federal government. Responsibility for resubmission of the reports rests with the office and is not the result of communication issues. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-048:** U.S. Department of Health and Human Services  
ALN #93.423, 1332 State Innovation Waivers  
Grant #SIWIW200014

**Criteria:** Federal regulations, 2 CFR 200.214 and 2 CFR 180.300, require the State Auditor's Office (office) to restrict subawards to parties not suspended or debarred from receiving federal funds. The 1332 State Innovation Waivers (waiver program) compliance supplement further requires the office to review the System for Award Management (SAM) website annually for its subrecipients.

Federal regulation, 2 CFR 25.300, specifies subawards may not be made unless the subrecipient has obtained and provides its Unique Entity Identified (UEI) to the Federal grant recipient.

Federal regulation, 2 CFR 170 Appendix A, states the Federal grant recipient must report each action that obligates federal funds to a subrecipient that equals or exceeds \$30,000. Each obligating action must be reported to the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) by the end of the month following the month in which the decision was made.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The office did not have adequate controls to identify all requirements related to its subaward under the waiver program, including the requirement to communicate specific information to its subrecipient, the Montana Reinsurance Association.

Additionally, the office did not comply with suspension and debarment and reporting requirements applicable to the waiver program, as follows:

- The office did not check the SAM excluded party list for suspensions and debarments and retain evidence of its review before issuing any subaward payments. Additionally, contrary to federal regulations, the office made subaward payments to the MRA prior to receiving its UEI.
- The office did not submit reports for subaward information as required under FFATA.

**Questioned Costs:** No questioned costs identified.

**Context:** There is a single subrecipient for the waiver program. The office did not check the suspended or debarred status of the subrecipient during the audit period. Additionally, the office did not submit the required FFATA reports for \$47.5 million in subwards made during fiscal years 2022 and 2023.

We brought the internal control and compliance issues to the office's attention in April 2023. As of June 14, 2023, the office updated its Annual Calendar used to track reporting and monitoring requirements. On this version of its Annual Calendar, the office scheduled an annual check of the SAM site for October 2023, but FFATA reporting was not yet incorporated into the calendar. On July 13, 2023, the office added FFATA reports to its Annual Calendar.

Additionally, as of June 30, 2023, the office had neither checked the SAM excluded party listing nor obtained the MRA's UEI. Between May and June 2023, the office incurred costs associated with the MRA totaling \$283,334 in federal funds.

**Effect:** The office has not complied with all elements of the Suspension and Debarment and Reporting compliance requirements. Internal control weaknesses also put the office at risk of additional noncompliance.

**Cause:** While the office treated the MRA as its subrecipient in some respects, the office did not identify the need to treat the MRA as a subrecipient for all related requirements.

The office relied on federal guidance provided when the state's waiver was approved in 2019, which included the Specific Terms and Conditions. However, the office did not consider other requirements outlined in the federal Compliance Supplement for the waiver program, available as of August 2019 and at recurring intervals since that time, when determining procedures necessary to comply with all federal compliance requirements.

**Recommendation:** We recommend the State Auditor's Office:

- A. Enhance internal controls to monitor the excluded parties list, disclose all required information to its subrecipient, and complete required Federal Funding Accountability and Transparency Act reports.
- B. Comply with federal suspension and debarment requirements to review the SAM website prior to making subaward payments and to make subawards only to entities with a Unique Entity Identifier.
- C. Submit required Federal Funding Accountability and Transparency Act reports.

**Views of Responsible Officials:** The office concurs with this recommendation. For more information on the office's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-049:** U.S. Department of Health and Human Services  
ALN #93.423, 1332 State Innovation Waivers  
Grant #SIWIW200014

**Criteria:** Federal Health and Human Services (HHS) Grants Policy Statement specifies actions to manage the day-to-day operations of federal programs should include written policies and procedures.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The State Auditor’s Office (office) does not have written policies and procedures to minimize the time elapsing between the transfer of funds from the federal cash draw system and the disbursement of those funds by the recipient, as required by the HHS Grants Policy Statement. Additionally, office internal controls did not identify that written policies and procedures were required. As part of our audit, we did not identify instances where the office held federal funds in the treasury longer than permitted by federal regulations.

**Questioned Costs:** No questioned costs identified.

**Context:** The 1332 State Innovation Waivers (waiver) program was authorized in August 2019. Guidance to establish written policies and procedures is included in the HHS Grants policy as early as 2007. The waiver program’s compliance supplement specified this requirement as early as August 2019. As such, guidance outlining the requirement for written policies and procedures was available to the office at the time the program was authorized by the Federal government.

As of June 16, 2023, the office provided written policies and procedures in draft form. The SAO Cash Management procedure was approved on August 3, 2023.

**Effect:** By not identifying the need to establish and maintain written policies and procedures over federal cash management requirements, the office had not complied with federal regulations applicable to the award. Additionally, the absence of documented policies and procedures puts the office at risk for noncompliance by drawing an incorrect amount from the Federal government or holding federal cash in the state treasury for too long.

**Cause:** When developing policies and procedures for the waiver program, office personnel overlooked the need to establish written policies and Procedures for federal cash management requirements.



**Recommendation:** We recommend the State Auditor's Office:

- A. Enhance internal controls by ensuring written policies and procedures are developed for all aspects of the federal waiver program.
- B. Maintain written policies and procedures to minimize the time elapsing between the transfer of funds from the Federal cash draw system and the disbursement of funds, as required by federal health and Human Services Grants Policy.

**Views of Responsible Officials:** The office concurs with this recommendation. For more information on the office's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-050:** U.S. Department of Health and Human Services  
ALN #93.423, 1332 State Innovation Waivers  
Grant #SIWIW200014

**Criteria:** Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The State Auditor’s Office (office) did not document its review of the SF-425 Annual Report, a Federal financial report used to provide the Federal grantor agency with information about individual grant awards, prior to submission.

**Questioned Costs:** No questioned costs identified.

**Context:** There were two annual reports due during the audit period. Neither report contained documentary evidence of a review before submission. Our audit did not identify errors in information included in the Federal SF-245 reports.

**Effect:** The absence of internal controls can result in incomplete, inaccurate, or late reporting to the Federal government. The office risks noncompliance with Federal reporting requirements without adequate internal controls.

**Cause:** The office overlooked the need to retain documentary evidence of its review of the SF-425 report prior to submission.

**Recommendation:** We recommend the State Auditor’s Office enhance internal controls to include a review for accuracy and completeness of the SF-425 report is documented before submission.

**Views of Responsible Officials:** The office concurs with this recommendation. For more information on the office’s planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-051:** U.S. Department of Health & Human Services  
 ALN #93.659, Adoption Assistance – Title IV-E (COVID-19)  
 Grant #2101MTADPT, 2201MTADPT, 2301MTADPT

**Criteria:** Federal regulation, 45 CFR 75.302(a), requires that the “... non-Federal entity’s financial management systems, including records documenting compliance with Federal statutes, regulations, and terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.”

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The federal fiscal year 2021 CB-496 report, part 4, Annual Adoption Savings Calculation and Accounting report submitted by the Department of Public Health and Human Services (department) was inaccurate. The department’s internal controls were ineffective in detecting or preventing errors in the report.

**Questioned Costs:** No questioned costs identified.

**Context:** The department uses a spreadsheet template similar to the required report to ensure that the amounts in the report are supported and accurate. This template calculates required report amounts based on department inputs. We reviewed the federal fiscal year 2021 (FFY21) and federal fiscal year 2022 (FFY22) CB-496, part 4, reports submitted by the department. We noted instances in FFY21 where the amounts on the report did not tie to the support prepared and calculated by the department.

The report has 44 required lines. In the submitted FFY21 report, 23 lines did not tie to support within 10%. The differences between the support and the submitted report ranged from \$13,274 to \$1,830,415. All amounts on the FFY22 report tied to support.

Based on our work, we determined that controls were in place for the FFY22 report as it tied to support, but controls did not identify errors on the FFY21 report.

**Effect:** The department reported incorrect adoption savings amounts to the federal government. Additionally, since the amounts reported are unsupported, the department did not comply with

Federal regulations regarding adoption savings reporting requirements. This incorrect reporting could lead to the department spending more money on eligible children from the state's general fund or overspending federal money on eligible children.

**Cause:** The report template was a new process and department staff were not trained on how to use the template. Department staff also utilized the incorrect Federal Medical Assistance Percentage or FMAP rate.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Develop internal controls to ensure the amounts reported in the CB-496, part 4, Annual Adoption Savings Calculation and Accounting report are supported and accurate, and
- B. Report complete and accurate information on the CB-496, Part 4, Annual Adoption Savings Calculation and Accounting report as required by federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-052:** U.S. Department of Health and Human Services  
 ALN #93.323, Epidemiology and Laboratory Capacity for Infectious  
 Diseases (ELC) (COVID-19)  
 Grant #Various

ALN #93.659, Adoption Assistance – Title IV-E (COVID-19)  
 Grant #2101MTADPT, 2201MTADPT, 2301MTADPT

**Criteria:** Federal regulation, 31 CFR 205.33, requires the Department of Public Health and Human Services (department) minimize the time between the drawdown of federal funds and their disbursement for federal program purposes. The timing and amount of funds transferred must be as close as administratively feasible to the department’s cash outlay for direct and indirect program costs.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department does not have sufficient controls over cash draws and cash management to prevent the ELC and Adoption Assistance programs from maintaining an excess cash balance. For the ELC and Adoption programs, the department was not compliant federal regulations regarding cash management.

**Questioned Costs:** No questioned costs identified.

**Context:** We analyzed all cash draws for the ELC and Adoption Assistance programs in fiscal years 2022 and 2023. The analysis identified instances where cash was positive for two or more days and considered an instance of noncompliance. For each of the programs, we identified the following instances where there were excess cash balances:

Federal Program	Number of Instances of Excess Cash	Range of Days with Excess Cash Balances	Dollar Amount Range of Excess Cash Balance
Fiscal year 2022			
ELC	13	2-13	\$719 - \$11,537,912
Adoption Assistance	2	41 - 101	\$12,183 - \$3,027,357
Fiscal Year 2023			
ELC	1	14	\$1,227,032 - \$2,281,618
Adoption Assistance	4	2-3	\$25,852 - \$139,957

**Repeat Finding:** These two programs do not have previous cash management findings. However, the department has had related cash management findings in other federal programs in the past. A central group of personnel is responsible for managing cash draws for federal programs. The original recommendation was recommendation 2019-024 in Montana's Single Audit for the two fiscal years ended June 30, 2019.

**Effect:** The department draws federal cash prior to the department's disbursements, resulting in a positive cash balance at the department. This results in noncompliance as the department is not minimizing the time between the drawdown of federal funds and their disbursement of the funds. In response to these cash management issues, the federal government could require draws only on a reimbursement basis, rather than in advance.

**Cause:** The department's controls are insufficient to prevent excess cash balances for the ELC and Adoption Assistance programs. The department uses templates to assist with draws and to help staff determine if there are excess cash balances. However, each program has some unique cash management requirements that call for changes to the templates. Even with these tools there were still times of excess cash, indicating these controls are not sufficient to comply with cash management requirements.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls over cash draws to minimize the number of instances of excess cash.
- B. Comply with federal requirements and minimize the time between the drawdown of federal funds and their disbursement for federal program purposes.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-053:** U.S. Department of Health and Human Services  
ALN #93.323, Epidemiology and Laboratory Capacity for Infectious  
Diseases (ELC) (COVID-19)  
Grant #Various

**Criteria:** Federal regulation, 45 CFR 75.352(b), requires the Department of Public Health and Human Services (department) to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and terms and conditions of the subaward for the purpose of determining the appropriate subrecipient monitoring.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Department procedures did not include consideration or documentation of risk associated with subrecipients of federal ELC funds, and the department did not comply with federal requirements.

**Questioned Costs:** No questioned costs identified.

**Context:** During the audit period, the department distributed federal ELC funds to 45 county or local governments and to schools in 42 counties. County and local government distributions, supporting localized preparedness for adequate staffing, totaled approximately \$4.8 million and were supported by subaward agreements. School distributions, supporting efforts to safely re-open schools around the state during the public health emergency, totaled approximately \$9.1 million. Schools were new subrecipients during the audit period.

We conducted a sample of 40 distributions, 20 to county governments and 20 to schools. The sample was not statistically valid. For all subrecipients sampled, the department did not complete and document a risk assessment, as required by federal regulations.

**Effect:** The department is not in compliance with federal requirements related to risk assessments for subrecipients of federal ELC funds. This could result in the department awarding funds to high-risk entities without also establishing increased monitoring procedures to ensure subrecipients spend funds in accordance with federal regulations.

**Cause:** The department implemented a checklist that guides department staff to document their consideration of subrecipient disclosures, risk assessment, and monitoring activities. However, the department staff indicated they did not consistently use the checklist for county subaward

agreements until fiscal year 2024. The checklist was developed in response to the prior audit recommendations related to the department's overall responsibilities for subrecipient monitoring. Additionally, as discussed in Finding #2023-064, the department did not consider schools to be subrecipients when the awards were made. As a result, department staff did not use the checklist to document the risk associated with school subrecipients.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls to ensure a risk assessment is completed and documented for each subrecipient of federal Epidemiology and Laboratory Capacity for Infectious Diseases funds.
- B. Conduct risk assessments for all subrecipients, as required by federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.



**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-054:** U.S. Department of Health and Human Services  
 ALN #93.323, Epidemiology and Laboratory Capacity for Infectious  
 Diseases (ELC) (COVID-19)  
 Grant #Various

**Criteria:** Federal regulation, 45 CFR 75.351, requires the Department of Public Health and Human Services (department) to make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. This regulation also outlines the characteristics of each a subrecipient and a contractor. Most notably, a subrecipient is responsible for adhering to applicable federal program requirements and must use federal funds to carry out a federal program for the purpose of the award, whereas a contractor provides goods or services that are ancillary to the operation of the federal program.

Federal regulation, 45 CFR 75.352, lays out the thirteen required elements to communicate to subrecipients to properly identify the federal award.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department did not fully communicate required subrecipient disclosures to its school, county, and local government subrecipients for the period under audit. Department internal controls were ineffective in determining the appropriate subrecipient classification of its relationship with schools under federal regulations and in ensuring all required disclosures were communicated to school, county, and local government subrecipients.

**Questioned Costs:** No questioned costs identified.

**Context:** During the audit period, the department distributed federal ELC funds to 45 county or local governments and to schools in 42 counties. County and local government distributions, which supported localized preparedness for adequate staffing, totaled approximately \$4.8 million and were supported by subaward agreements. School distributions, which supported efforts to safely re-open schools around the state after the public health emergency, totaled approximately \$9.1 million.

From a population of 388 payments to schools and counties, we conducted a sample of 40 distributions, 20 to county governments and 20 to schools, and reviewed documentation related

to subaward disclosures. The sample was not statistically valid. For all subrecipients sampled, subaward disclosures either did not exist or were incomplete.

In response to the prior audit recommendation regarding missing subaward disclosures for county and local government agreements, the department implemented the use of a checklist to properly evaluate whether they qualified as subrecipient or contractor agreements. Additionally, the department sent letters to all county and local governments with the required subrecipient disclosure information. Our sample identified 19 letters where they omitted the subaward period of performance start and end date and/or the total amount of federal funds obligated to the subrecipient. The department did not provide documentation to demonstrate any subaward disclosures for one of the counties in our sample.

Schools requested funding from the department through an application process. The department did not consider schools to be subrecipients. Therefore, no formal written agreement was made with the schools, and the department did not communicate the award information required by federal regulations.

**Repeat Finding:** Montana's Single Audit report for the two fiscal years ended June 30, 2021, included two related recommendations. Recommendation #2021-052 discussed internal control and compliance over subrecipient disclosures for the ELC program. Recommendation #2021-055 addressed the need to enhance internal control review procedures and to properly classify agreements as either subrecipient or contractor relationships.

**Effect:** The department has not complied with federal regulations regarding required subrecipient disclosures. Failure to provide subrecipients with the required federal award information increases risk of subrecipient noncompliance with Federal requirements.

**Cause:** The department did not use its checklist to evaluate whether schools should be considered subrecipients or contractors when the school reopening program was established. Without use of the checklist, program staff did not properly identify the recipients as subrecipients and therefore, did not ensure federal award information was communicated as required by federal regulations. Additionally, program staff overlooked the need to communicate certain required elements in letters sent to county and local governments in response to the prior audit recommendation.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls over the Epidemiology and Laboratory Capacity for Infectious Diseases program to ensure subrecipient relationships are properly identified and to ensure all federal award identification information is communicated to program subrecipients.
- B. Properly classify relationships as subrecipient or contractor relationships for the Epidemiology and Laboratory Capacity for Infectious Diseases federal award, as required by federal regulations.
- C. Communicate all federal award identification information to Epidemiology and Laboratory Capacity for Infectious Diseases program subrecipients, as required by federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-055:** U.S. Department of Health and Human Services  
ALN #93.323, Epidemiology and Laboratory Capacity for Infectious  
Diseases (ELC) (COVID-19)  
Grant #Various

**Criteria:** Federal regulation, 2 CFR 200.403(a) and (g), specify costs must be necessary and reasonable for the performance of the federal award and adequately documented to be allowable under federal awards.

Federal regulation, 45 CFR 75.352(d), requires the Department of Public Health and Human Services (department) to monitor the activities of its subrecipients as necessary to ensure the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and terms and conditions of the subaward, and subaward performance goals are achieved.

Federal guidance from the Centers for Disease Control and Prevention, *ELC Reopening Schools: Support for Screening Testing to Reopen & Keep Schools Operating Safely*, and related Frequently Asked Questions documents specify allowable costs related to reopening schools.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department's internal controls were not adequate to ensure subawards of federal ELC funds were expended on allowable costs, as required by federal regulations.

**Questioned Costs:** We question \$163,158, which represents the amount of federal funds distributed to counties in fiscal year 2022 that were not supported by actual county expenditures as of June 2024. Additionally, for school subrecipients, we project likely questioned costs of \$3,194,292 in federal funds. Questioned costs related to school subrecipients were calculated by applying the percentage of unallowed or unsupported costs identified in our sample to the total amount distributed to schools in the audit period.

**Context:** During the audit period, the department distributed federal ELC funds to 45 county or local governments (county) and to schools in 42 counties. County distributions, supporting localized preparedness for adequate staffing, totaled approximately \$4.8 million and were supported by subaward agreements. School distributions, supporting efforts to safely re-open schools around the state during the public health emergency, totaled approximately \$9.1 million.

We conducted a sample of distributions to subrecipients. Of the 388 distributions, we reviewed 20 to county governments and 20 to schools to determine if the department's post-award monitoring procedures were effective. The sample was not statistically valid. For 20 of the distributions tested, we determined the department's monitoring procedures insufficient due to lack of supporting documentation or due to our identification of unallowed costs not identified in the department's review. Additional details for each county and school distributions follows:

### ***Distributions to Counties***

In fiscal years 2021 and 2022, the department distributed funds to counties as advanced payments. During the prior audit, we reported fiscal year 2021 distributions as questioned costs. In response to our prior audit recommendation, in fiscal year 2023 the department implemented procedures to distribute funds to counties quarterly after the county attested the funds were used in accordance with federal regulations and provided receipts and other documentation for the department's review and approval. The department also retroactively requested, received, and reviewed support for distributions to counties made in fiscal years 2021 and 2022.

As part of our sample, we reviewed four county distributions from fiscal year 2023 and noted department procedures ensured costs incurred were for allowable purposes before distributing federal funds to the county. For the 16 county distributions from fiscal year 2022, we reviewed the department's tracking spreadsheet and underlying support for four county agreements to determine whether advanced payments from fiscal years 2021 and 2022 were fully utilized. One of the 16 counties had a remaining balance of \$54,378 in federal ELC funds for which the county had not incurred or reported expenses against as of June 2024, the month when we reviewed the report.

We also considered all data on the department's tracking spreadsheet and determined as of fiscal year end 2023 eight additional counties had not fully exhausted advanced distributions of federal ELC funds from fiscal year 2022. Of these counties, three had a remaining advanced balance as of June 2024. We consider these outstanding balances totaling \$108,800 questioned costs, which is in addition to the \$54,378 discussed above.

### ***Distributions to Schools***

School re-opening grants were distributed to schools as lump-sum payments at three different intervals during the audit period. The purpose for these grants was to support school testing, prevention, and mitigation activities intended to support open, in-person school environments during the COVID-19 pandemic. Subsequent to distributing funds to schools, at six-month intervals for fiscal year 2022 awards and at grant close-out for fiscal year 2023 awards, the department required the school to provide support for the use of federal ELC funds. This was documented on a School Budget Expenditure Report. The department required the school to list expenditures by category. Per department guidance, supporting invoices or payroll reports were required only when an individual expense exceeded \$5,000.

We reviewed documentation provided by the department for the 20 school distributions selected in our sample. In many cases, the documentation provided was intended to

support multiple distributions to the schools, not only the distribution selected for sample testing. We identified only one school where supporting documentation was sufficient to conclude federal ELC funds had been fully used for allowable purposes. For the remaining 19 schools, we found:

- Supporting documentation for nine schools either did not include support for payroll costs or lacked sufficient detail to support expenditures incurred by the school were for the purpose of the ELC federal program. For seven schools, the payroll reports were dated between November 2023 and April 2024, well after the department's July 2023 subaward closeout deadline.
- One school claimed costs for a school superintendent and a cook, while another school shifted 25% of regular custodial costs to the ELC award for June 2023 salaries. We consider these costs unallowable as they are regular costs associated with school operations and not temporary staff hired or redirected for purposes of school reopening efforts.
- Support from schools showed federal ELC funds were spent on items such as ice melt, a kitchen warmer oven, drinking fountains, cameras, printers, paper, toner, and ink. We consider these costs unallowable as they do not align with an allowable cost in the federal school reopening guidance.
- One school reported costs totaling \$42,761 for Covid-19 testing supplies. Based on our review, the underlying costs were mainly related to purchasing \$10 gift cards used to incentivize Covid testing. The school's incentive plan specified 300 \$10 gift cards would be purchased, and distributions of gift cards would be tracked, signed for, and subjected to data analysis to ensure incentives distributed did not outnumber the tests performed. The department did not provide documentation to support its consideration of the discrepancy between expected and actual incentives for the school. Absent additional documentation, we consider the approximately \$39,000 unallowable as they are not reasonable or necessary for the performance of the federal award.

Per discussion with department personnel, as questions came up in the review of school Budget Expenditures Reports they would reach out to schools for additional documentation or clarification. Turnover in the position responsible for following up with schools contributed to the level of documentation available at the time of audit.

**Repeat Finding:** Montana's Single Audit report for the two fiscal years ended June 30, 2021, included two findings related to this issue. Finding #2021-062 recommended the department implement internal controls over federal ELC contractor and subrecipient payments and to reimburse those entities only for activities allowed by federal regulations. Finding #2021-054 recommended the department establish and document internal controls for and to conduct monitoring of subrecipients of federal ELC funds.

**Effect:** The department has not complied with federal regulations requiring post-award monitoring of its subrecipients, which means risk exists that federal funds were not expended in accordance with federal award requirements. As part of resolving the issue, the federal government may require the department to repay unallowed or unsupported costs.

**Cause:** Department internal controls in place during the audit period did not consistently include a review and follow-up on subrecipient documentation to support the use of federal ELC funds.

- Prior audit findings related to county subrecipients were identified more than half-way through fiscal year 2022. At that time department staff were unaware of the degree of subrecipient monitoring required for subaward agreements.
- As discussed in Finding #2023-054, the program staff did not properly identify schools as subrecipients during the audit period. While the department had procedures in place to review subaward close-out documentation submitted by schools, staff turnover contributed to limited follow-up.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls for its Epidemiology and Laboratory Capacity for Infectious Diseases federal award to ensure adequate documentation for subrecipient payments is consistently obtained and reviewed to ensure funds were used for authorized purposes, and documentation of department decisions is maintained.
- B. Disburse funds to subrecipients for the ELC federal award only for activities allowed by federal regulations.
- C. Conduct post-award monitoring of subrecipients of federal ELC funds, as required by federal regulations.

**Views of Responsible Officials:** The department conditionally concurs with this recommendation. The department disagrees that funds were not paid to subrecipients for allowable activities. The department acknowledges documentation of their review of costs could be enhanced. However, they believe a large portion of the costs are allowable based on discussions with their federal partners and subrecipients and are confident that additional documentation obtained from the subrecipients would support the questioned costs.

**Rebuttal of Views of Responsible Officials:** We considered the department's conditional concurrence. It is our position documentation available during the audit period or at the time of audit was not adequate to support that costs were allowable under the program. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-056:** U.S. Department of Health and Human Services  
ALN #93.658, Foster Care – Title IV-E (COVID-19)  
Grant #2101MTFOST, 2201MTFOST, 2301MTFOST

**Criteria:** Federal regulation, 45 CFR 75.352(a)(1), requires the Department of Public Health and Human Services (department) to ensure that every subaward is clearly identified to the subrecipient as a subaward and lays out the thirteen elements required to be communicated to subrecipients.

Federal regulation, 45 CFR 75.352(b), requires the department to evaluate the subrecipient's risk of noncompliance with federal statutes.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Department controls did not identify certain required disclosures that were omitted from the Foster Care subrecipient agreements, resulting in noncompliance with federal regulations. Additionally, the department does not have a system in place to assess risk related to its subrecipients as required by federal regulations and did not assess risk for the audit period.

**Questioned Costs:** No questioned costs identified.

**Context:** Subrecipients of the department's Foster Care program include tribal governments and institutions of higher education. In response to the prior audit recommendation, the division administering the Foster Care program developed a policy that lists the required disclosures to include in subrecipient agreements. From review of the policy and agreements, the name of the federal awarding agency was not included in the subrecipient disclosures. Additionally, the department does not have a process in place and does not perform an assessment of these subrecipient's risk to determine the amount of monitoring required for each subrecipient.

**Repeat Finding:** Three of Montana's past Single Audits included findings (#2015-014, #2019-016, and #2021-051) related to subrecipient disclosures for the Foster Care program. In the most recent prior audit, new or amended contracts were executed to include subrecipient disclosures. However, required items were still omitted or information disclosed was inaccurate.

**Effect:** The department has not complied with federal regulations regarding required subrecipient disclosures and risk assessments. Failure to provide subrecipients with the required



federal award information increases the risk of subrecipient noncompliance with federal requirements.

Additionally, performing risk assessments is an important element of internal controls over subrecipient monitoring compliance. Without risk assessment procedures, the department may not appropriately monitor the activities of its subrecipients. As noted in Finding #2023-057 we do not believe the department currently obtains adequate evidence to support payments to its subrecipients. By performing risk assessments, the department may be able to support a different level of payment monitoring and review for lower risk subrecipients.

**Cause:** The department acknowledged it did not have a procedure in place to perform risk assessments of Foster Care subrecipients. Regarding subrecipient disclosures, the department represented policy instructions included all required disclosures. However, the division administering the Foster Care program developed its own internal policies, which were used during the audit period and incorrectly omitted some required disclosures.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls over subrecipient monitoring for the Foster Care program, to ensure subrecipient risk assessments are completed and all required subrecipient disclosures are included in subrecipient agreements.
- B. Comply with federal regulations by completing risk assessments and ensuring the required subrecipient disclosures are included in Foster Care subrecipient agreements.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-057:** U.S. Department of Health and Human Services  
 ALN #93.658, Foster Care – Title IV-E (COVID-19)  
 Grant #2101MTFOST, 2201MTFOST, 2301MTFOST

**Criteria:** Federal regulation, 2 CFR 200.403(a), specifies costs must be necessary and reasonable for the performance of the award.

Federal regulation, 2 CFR 200.403(g), specifies costs must be adequately documented to be allowable under the award.

Federal regulation, 45 CFR 1356.60(b)(2), requires all training activities and costs funded under Title IV-E be included in the department’s training plan for Title IV-B.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Department of Public Health and Human Services (department) staff did not obtain and review appropriate supporting documentation for payments to subrecipients to ensure costs were necessary and adequately documented as required by federal regulations, indicating internal controls are ineffective.

**Questioned Costs:** Based on transactions reviewed in our sample, we question costs in the amounts of \$17,167 as summarized in the table below. The department paid approximately \$2.7 million to tribes and universities in fiscal years 2022 and 2023 combined. Based on overall level of activity, likely questioned costs exceed \$25,000.

Subrecipient Type	Federal Portion of Wages Unsupported	Federal Portion of Operation Expenses Unsupported	Unsupported or Miscalculated Indirect Costs	Total
Tribes	\$2,471	\$2,744	\$6,298	\$11,513
Colleges	\$0	\$3,534	\$2,120	\$5,654
Total	\$2,471	\$6,278	\$8,418	\$17,167

**Context:** The department maintains subrecipient agreements with the seven tribes located within the state and two college/universities (colleges). The department provides federal funds to these entities to either help administer the Foster Care program, provide stipends to college students studying social work, or provide training to department staff.

From a sample of 12 invoices from 115 invoices submitted by tribes or colleges, we identified nine cases of unsupported operating expenses and two items lacking wage support. Five of the invoices were related to training costs. The sample was not statistically valid. Inadequate supporting documentation from colleges hindered our ability to determine whether training costs were specified or allowable in the department's training plan. Our observations of inadequate documentation include:

- One college invoice submitted for reimbursement was for \$42,344. A general ledger listing the expenses was provided including operating expenses totaling \$3,237. These expenses were only listed in the general ledger and not supported by receipts. Without receipts or other support, we were unable to verify whether costs were properly classified as operating expenses on the general ledger and were allowable for reimbursement from federal funds.
- Tribal invoices were supported by a general ledger and the department's standardized billing invoices. The department uses time studies to support the allocation of wages for time spent on a project. Time studies were incomplete or inconsistent with the allocation of wages used in payment to the tribes. Similar to the operating expenses for the colleges, there were no receipts to support the operating expenses from the request for reimbursement.

Additionally, from the work performed, we identified nine instances where the IV-E Indirect Costs that subrecipients requested reimbursement for were not properly calculated due to unsupported expenses mentioned above. Also, there was one instance where indirect costs were calculated incorrectly from total expenses, not IV-E allowable expenses.

**Repeat Finding:** Montana's Single Audit reports for the two fiscal years ended June 30, 2019, and the two fiscal years ended June 30, 2021, included related findings (#2019-017 and #2021-061). These findings recommended the department reimburse subrecipients only for activities allowed by federal regulations and to design and implement internal controls to ensure adequate documentation is obtained, reviewed, and approved prior to payment.

**Effect:** Without adequate supporting documentation, the department cannot demonstrate compliance with internal control requirements in federal regulation. Additionally, for payments that lack adequate support, the department may have incurred costs for unallowable activities under the federal award or for costs that were not reasonable or necessary. Without adequate documentation for training costs, the department cannot demonstrate the activity was in the training plan.

As noted in Finding #2023-056, the department does not complete risk assessments of its subrecipients as required. By performing risk assessments, the department may be able to support a different level of payment monitoring and review for lower risk subrecipients.

**Cause:** Overall, the department believes its controls for review of supporting documentation are effective for subrecipient payment activities. Department personnel also noted the federal government only partially sustained the last two audit findings, indicating the department

provided additional support to the federal government to support the payments we previously questioned. However, it is unclear to us what additional information was provided and when it was obtained by the department, and the federal grantor agency communicated the importance of retaining adequate documentation. Because we are not responsible for resolving federal findings, we did not review any additional documentation the department provided to the federal government. The support the department provided to us for payments during the current audit does not contain enough detail to confirm the payments were appropriate and necessary for the grant at the time the reimbursements were made.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls for its Foster Care federal awards to ensure adequate documentation for subrecipient payments is obtained, reviewed, and approved prior to payment.
- B. Reimburse Foster Care federal award subrecipients only for activities allowed by federal regulations.

**Views of Responsible Officials:** The department partially concurs with this recommendation. The department represented they enhanced internal controls in fiscal year 2023. They also indicated they started completing risk assessments of subrecipients and believe the subrecipients that have the questioned costs are low risk. Additionally, in fiscal year 2024, the department has requested receipt-level documentation of all questioned costs and believe this documentation indicates costs are allowable activities.

**Rebuttal of Views of Responsible Officials:** We considered the department's partial concurrence. Based on the documentation reviewed and obtained during the audit period and at the time of audit, it is our position documentation was not adequate to support that costs were allowable under the federal program. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-058:** U.S. Department of Health and Human Services  
ALN #93.558, Temporary Assistance for Needy Families (TANF) (COVID-19)  
Grant #2101MTTANF, 2201MTTANF, 2301MTTANF

**Criteria:** Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** During the audit period, there were no Department of Public Health and Human Services (department) level controls over the accuracy and completeness of the ACF-199 TANF Data Report before its submission to the federal government.

**Questioned Costs:** No questioned costs identified.

**Context:** The department uses its Combined Healthcare Information and Montana Eligibility System-Enterprise Architecture (CHIMES) system to determine TANF eligibility and benefit amounts. The ACF-199 TANF Data Report is prepared and submitted directly from the CHIMES system by the department's contractor. While the department represents it tested ACF-199 report functionality with CHIMES implementation in approximately 2012, there is no current system assurance available for report accuracy and completeness. Errors are only determined if the federal government notifies the contractor of an error in the data. During the audit period, the department had developed new procedures for the review of the ACF-199 report. However, we were not able to observe the new procedure before the end of the audit period.

**Repeat Finding:** Montana's Single Audit report for the two fiscal years ended June 30, 2021, contained a finding (#2021-056) related to this issue.

**Effect:** Without reviewing the file for accuracy and completeness prior to submission and in the absence of documentation of initial and ongoing testing of the CHIMES system, the department is unable to demonstrate adequate internal control over its ACF-199 reports.

**Cause:** Prior to implementing new procedures, the department believed its up-front data collection procedures within the eligibility system and validation of the data file in the state/federal exchange were sufficient controls for its ACF-199 reports. The department developed internal controls it believes will ensure the completeness and accuracy of the report prior to submission. However, the procedures were not finalized and implemented until after the audit period.

**Recommendation:** We recommend that the Department of Public Health and Human Services implement and document internal controls developed to ensure complete and accurate reporting of Temporary Assistance for Needy Families ACF-199 reports.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-059:** U.S. Department of Health and Human Services  
 ALN #93.575 and 93.596, Child Care Development Fund Cluster (CCDF)  
 (COVID-19)  
 Grant #2101MTCCDF, 2201MTCCDD, 2201MTCCDF, 2301MTCCDD,  
 2301MTCCDF, 2101MTCC5

**Criteria:** Federal regulation, 2 CFR 200.332(a)(1), lays out the fourteen required elements to be communicated to subrecipients to identify the federal award properly.

Federal regulation, 2 CFR 200.332(b), requires non-federal entities to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward to determine the appropriate level of subrecipient monitoring.

Federal regulation, 2 CFR 200.332(d), requires non-federal entities to monitor the subrecipient's activities, including reviewing reports and resolving Single Audit findings related to the subaward.

Federal regulation, 2 CFR 200.334, requires financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award be retained for three years.

Federal regulation, 45 CFR 98.68(a), requires lead agencies, such as the Department of Public Health and Human Services (department), to describe in their state plan the effective internal controls in place to ensure program integrity and accountability.

The department's State Plan outlines the department's processes for regularly evaluating internal control activities, including reviews of the Child Care Resource and Referral (CCR&R) agency audits to evaluate performance. The State Plan also indicates that prior to each contract year with the CCR&R agencies, the contract manager and fiscal analyst conduct a risk assessment on each agency, and that the risk assessment draws on the agency's Single Audit (amongst other factors).

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** We noted the following instances where controls were ineffective in complying with federal regulations governing subrecipient monitoring, related to the CCR&R agencies.

- (1) The department's internal controls were ineffective in ensuring that all of the federal award identification items required by 2 CFR 200.332(a)(1) were included in its subaward agreements with the CCR&R agencies in fiscal years 2022 and 23. The 2022 agreements do not include federal award identification number, award date, period of performance start and end date, budget period start and end date, identification of whether the award is research and development related, and the required information on indirect costs. The 2023 agreements contain all required elements other than the budget period start and end date. While the 2023 agreements include most of the required federal award identification information, the disclosed information is for the department's most recent federal awards received. As part of our audit, we noted the department's processes include moving expenditures between grant awards, to maximize grant funds as grants are nearing close-out. If similar practices to those we observed in the current audit period continue, it is possible the federal awards disclosed in the 2023 agreements will not be those to which the department ultimately attributes all the subaward expenditures.
- (2) The department's internal controls were ineffective in ensuring compliance with State Plan procedures related to program integrity and accountability. The department could not provide evidence risk assessments were completed because associated documentation was not retained for the CCR&R agencies for federal fiscal year 2022. Additionally, the department uses the risk assessments to document its review and consideration of audit reports, including Single Audit reports, so they could not demonstrate reviews occurred as part of the risk assessment process. Federal regulations require these risk assessments and audit report reviews.

**Questioned Costs:** No questioned costs identified.

**Context:** There are six CCR&R agencies, covering seven regions throughout the state. For risk assessment purposes, there are only six entities over which risk should be assessed. The department enters into separate agreements by region for contracting purposes, so there are seven contracts. As discussed in the condition above, we found issues in both years of the audit period. In total, the department paid the CCR&R agencies approximately \$29.2 million during fiscal years 2022 and 2023, or 18 percent of the total program expenditures for the audit period.

**Effect:** The department is not in compliance with federal subrecipient monitoring requirements and did not follow the procedures in the State Plan. The CCR&R agencies were not provided all the information required to identify their subawards. In addition, the CCR&R agencies may not have all of the information necessary to comply with the terms of the award and to meet all federal compliance requirements, which may limit the ability of subrecipients to comply. Subrecipients subject to Single Audits will also need this information for their audit. Additionally, the risk assessment process is an important element of internal controls over the compliance requirements carried out by the CCR&Rs. There is risk that the department may not appropriately monitor the activities of the subrecipients.

**Cause:** The department's standard contract template did not contain all required elements. In addressing prior audit findings 2021-051, 2021-052, and 2021-053 related to contract disclosures in other federal programs, the department centrally worked on an update to the contract



templates. However, per department personnel, this update occurred too late for changes to be implemented for the 2022 contracts. Regarding the budget period information's exclusion from the 2023 contracts, department personnel indicated the intent in the contract template is for the contract term to be the budget period, as communicated through the budget attachment. For these specific contracts, however, the budget attachment does not include the budget period.

Regarding the risk assessments, program personnel indicated they believe the 2022 risk assessment were completed but saved over when the 2023 risk assessments were started.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls over subrecipient monitoring for the Child Care Development Fund Cluster to ensure all award identification information is communicated to subrecipients, subrecipient risk assessments and associated audit report reviews are completed, and documentation is retained.
- B. Comply with federal subrecipient monitoring regulations and State Plan requirements by communicating all award identification information to subrecipients and by completing and retaining documentation of risk assessments and audit report reviews for subrecipients.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-060:** U.S. Department of Health and Human Services  
ALN #93.575 and 93.596, Child Care Development Fund Cluster (CCDF)  
(COVID-19)  
Grant #2101MTCCDF, 2201MTCCDD, 2201MTCCDF, 2301MTCCDD,  
2301MTCCDF, 2101MTCCC5

**Criteria:** Federal regulation, 45 CFR 98.11(b)(4), states that in retaining overall responsibility for the administration of the program, lead agencies such as the Department of Public Health and Human Services (department) shall ensure the program complies with the approved state plan. Note that federal regulation 45 CFR 98.68(b) requires the state plan to (1) include a description of the processes in place to identify fraud and (2) recover fraudulent overpayments.

Federal regulation, 45 CFR 98.68(a), requires lead agencies, such as the department, to describe in their state plan the effective internal controls that are in place to ensure program integrity and accountability.

Section 8.1.2 of the State Plan indicates that part of the department's process to identify risk in the CCDF program include Child Care Resource and Referral (CCR&R) agency eligibility supervisors conducting a review of 10 percent of cases monthly, with the department reviewing the results.

Section 8.1.5 of the State Plan further indicates the monthly CCR&R agency eligibility supervisor reviews, discussed above, are part of the department's procedures to identify and prevent fraud or intentional program violations. The State Plan specifies these reviews: (1) aid in the identification and prevention of fraud and intentional program violations because they allow for a review of more eligibility cases where potential fraud can be identified; and (2) aid the state in identifying areas of concern that should be addressed in training, with the intent of helping CCR&R staff identify situations that could be instances of intentional program violations and fraud.

Federal regulation, 2 CFR 200.334, requires the retention of financial records, supporting documents, statistical records, and all other non-federal records pertinent to a federal award for three years.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** As part of the audit, we noted the following monitoring tools that the department intended to have in place over the activities of the CCR&Rs were not consistently used during fiscal years 2022 and 2023:

- The department intended to perform quarterly desk monitoring of the CCR&Rs for fiscal year 2023, using quarterly reports submitted by the CCR&Rs, instead of on-site monitoring at the start of the fiscal year. While the department intended to do these reviews, no desk reviews were fully completed and documented other than those for the year's first quarter.
- Monthly CCR&R agency supervisor reviews of eligibility determinations made by CCR&R staff did not occur for October 2021-August 2022, and December 2022-February 2023.

Department staff indicated they use the desk monitoring and supervisor reviews to monitor the activities of the CCR&Rs, to mitigate risk, and to remain in a low error rate classification related to improper payments. As such, these monitoring tools are important controls over compliance requirements associated with eligibility for participation in the Best Beginnings Child Care Scholarship program (BBCCS) and monitoring the activities of the CCR&R agencies as subrecipients. Additionally, the State Plan describes the supervisor reviews as elements of the department's internal controls to ensure program integrity and accountability.

**Questioned Costs:** No questioned costs identified.

**Context:** There are six CCR&R entities, covering seven regions throughout the state. The CCR&Rs perform various tasks to help the department administer the program, including determining eligibility for families to participate in the BBCCS. The department offers this program to qualified low-income families whose child or children receive care from approved providers. Payments issued to childcare providers for the BBCCS program, based in part on the eligibility determinations made by the CCR&R staff, totaled approximately \$48 million in fiscal years 2022 and 2023 combined.

**Effect:** Without effective internal controls, including those over retaining documentation, the department cannot demonstrate the steps they have taken to mitigate risk. There is also risk that absent this type of monitoring, program personnel will not timely become aware of challenges the CCR&Rs are facing related to implementing program requirements.

Furthermore, the State Plan indicates the monthly CCR&R supervisor reviews are to be completed as part of the state's procedures to ensure program integrity and accountability, including identifying risks within the program and identifying and preventing fraud or intentional program violations. However, the department has not complied with the State Plan regarding these reviews. These reviews are a State Plan certified tool to aid in identifying fraudulent overpayments, as mandated by federal regulations. Consequently, the department cannot fully demonstrate compliance with federal regulations regarding the identification and collection of fraudulent overpayments. Department personnel represented there were no fraudulent payments identified through other means in fiscal year 2022, and that one fraudulent payment was identified in fiscal year 2023. Based on our review, collection procedures were initiated on this payment in fiscal year 2024.

**Cause:** Department personnel indicated there were staff capacity issues and turnover during the audit period, which impacted their ability to perform the CCR&R quarterly monitoring as initially intended. Additionally, the CCDF cluster received a significant influx in federal funding during the audit period, in response to the COVID-19 public health emergency. Administering these funds created more work for the department, and department personnel indicated this increased workload impacted their capacity to facilitate the monthly supervisor review process. Department personnel also asserted they undertook a project to re-work the supervisor review process with input from CCR&R supervisors, and that the new process was implemented in March of 2023. In September 2023, the department was facilitating the supervisor reviews for April 2023.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls over monitoring the activities of the Child Care Resource and Referral agencies helping to carry out the objectives of the Child Care Development Fund Cluster, including following the monitoring procedures described in the State Plan.
- B. Comply with federal regulations regarding fraudulent payment detection.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-061:** U.S. Department of Health and Human Services  
 ALN #93.575 and 93.596, Child Care Development Fund Cluster (CCDF)  
 (COVID-19)  
 Grant #1901MTCCDD, 2001MTCCDF, 2101MTCCDF, 2201MTCCDD,  
 2201MTCCDF, 2301MTCCDF, 2301MTCCDD, 2001MTCCC3,  
 2101MTCCC5, 2101MTCDC6, 2101MTCSC6

**Criteria:** Federal regulation, 45 CFR 98.65(g), requires lead agencies such as the Department of Public Health and Human Services (department) to submit financial reports, in a manner specified by the Administration for Children and Families (ACF), quarterly for each fiscal year until the funds are expended.

ACF's Instructions for Completion of Form ACF-696 Financial Reporting Form for the Child Care and Development Fund (CCDF) State & Territory Lead Agencies (OMB #0970-0510) indicates that pursuant to 45 CFR 98.65(g), states are required to complete and submit a quarterly financial status report (ACF-696). This reporting guidance also indicates how activity should be reported, by category.

Federal regulation, 45 CFR 98.50), describes the earmarking requirements for CCDF funds, including those for administrative costs maximums, direct services, and quality.

Federal regulation, 45 CFR 98.68(a), requires lead agencies, such as the department, to describe in their state plan the effective internal controls that are in place to ensure program integrity and accountability.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** To facilitate quarterly ACF-696 financial reporting and overall monitoring of CCDF program compliance requirements related to financial grant management, such as earmarking and period of performance requirements, the department uses a variety of funds, accounts, and project codes in the state's accounting system to record program expenditures. During the audit period, the department used the ACF-696 financial reporting process, which summarizes the financial activity in the accounting records and reports it to the federal government, as one of its main controls over monitoring whether the CCDF program was meeting specific financial management compliance requirements. As part of our audit work, we identified multiple errors in the ACF-696 financial reports for the program, indicating controls should be enhanced over the reporting process.

The errors in the ACF-696 reports indicate there is also room for improvement in expenditure coding on the accounting records, to help facilitate more accurate reporting. For the audit period, based on the errors we identified, the controls built around the reporting process, including the use of specific funds, accounting, and project codes in the accounting records, were not effective controls to ensure compliance with other financial management aspects of the program, including matching, level of effort, earmarking, and period of performance. Additionally, the department's accounting records and ACF-696 financial reports do not allow the department to demonstrate full compliance with earmarking requirements during the audit period, and we were unable to determine compliance with all those requirements for grants that closed during the audit period.

**Questioned Costs:** No questioned costs identified.

**Context:** The state receives CCDF funding through a variety of federal sources, including Federal Mandatory Funds, Federal Matching Funds, and Federal Discretionary Funds. Additionally, during the audit period, the state received an influx of funds in response to the COVID-19 public health emergency. The ACF-696 report is used to report on the state's expenditure activities for each grant year, by expenditure category and funding source, including the state's required state source contributions for the program.

As part of the audit, we intended to complete a sample of 5 of the 24 quarterly ACF-696 reports due during the audit period. We selected reports from across grant years and quarter end dates. The sample was not statistically valid. After testing two of the five selected reports, we identified multiple errors in the reported information. Additionally, we noted that for one of the remaining three reports we intended to sample, the department continued to adjust and resubmit the report through March of 2024. We performed limited audit work over that report and identified additional errors. Based on the prevalence of errors in the three reports we reviewed, and department personnel's overall acknowledgement and agreement that there were errors in the ACF-696 reporting during the audit period, we did not test the remaining sample items. The table below summarizes the errors in the three reports reviewed:

<b>Summary of Errors Identified in ACF-696 Reports</b>					
			<b>2023 Grant Award, Quarter Ended March 31, 2023</b>	<b>2022 Grant Award, Quarter Ended December 30, 2021</b>	<b>2021 Grant Award, Quarter Ended September 30, 2022</b>
<b>Item #</b>	<b>Description of Issue</b>	<b>Impacted Report Column</b>	<b>Amount of Error</b>		
1	State General Fund Maintenance of Effort (MOE) Expenditures Excluded	Column D, MOE (State Share Only)	\$1,313,900	N/A	N/A
2	Indirect Costs Incorrectly Reported as Direct Services	Column A, Mandatory (Federal Share Only)	\$90,992	\$18,722	N/A
3	CCR&R Payments Incorrectly Reported as Systems Expenditures	Column C, Discretionary Funds (Federal Share Only)	\$1,453,444	N/A	N/A
4	Direct Services Expenditures Incorrectly Reported as Quality Activities	Column C, Discretionary Funds (Federal Share Only)	\$744,847	\$135,278	N/A
5	Indirect Costs Incorrectly Reported as Publicity Expenditures	Column J, Stabilization ARP Act Funds	N/A	N/A	\$112,367
6	Direct Services Expenditures Underreported	Column A, Mandatory (Federal Share Only)	N/A	\$745,924	N/A
7	Non-Direct Services Expenditures Incorrectly Reported as Direct Services	Column C, Discretionary Funds (Federal Share Only)	N/A	N/A	\$345,423
		Column H, Discretionary CRRSA Act Funds (Federal Share Only)	N/A	N/A	\$677,829

For item #6 in the table above, the error was the result of a manual adjustment to the report. Records indicate this adjustment was because grant funds available for the period being reported on were fully exhausted. The manual adjustment brought actual expenditures down to match the grant funds received. As a result, the reported expenditures don't match what is on the state's accounting records. Additionally, the amount of the manual adjustment was more than what the department reported as its request for funds for the next quarter. This indicates the department reported requesting fewer funds than it knew it had already spent. Department personnel represented they included the expenditures in the next quarterly report, after additional grant funds were received.

In addition to the items in the table, for the 2021 Grant Year report, we noted the department hard-coded three amounts in the report, ranging from \$1,311,504 to \$7,826,332, that we could not tie back to the accounting records. These amounts were in the Discretionary Fund and Matching Fund grant columns.

In addition to our ACF-696 report testing, as part of our audit we attempted to test compliance with earmarking requirements for the CCDF grants that closed during the audit period. While reviewing earmarking requirements for the 2019 Discretionary Grant, we observed the department recording multiple journal entries in the accounting records to move expenditures between various 2019 and 2020 grant funds. In January 2022, a journal entry moved \$1.36 million of expenditures from the 2019 Discretionary Grant to the 2019 Matching Grant. Then, in March 2022, another journal entry moved \$1.36 million of expenditures from the 2019 Matching Grant to the 2020 Discretionary Grant. The March 2022 journal entry does not contain support detailing what activity was being moved but appears to be moving the same activity that was initially moved in the January 2022 entry. As part of closing out the 2019 Discretionary Grant, the department also recorded a journal entry in April 2022 to further reduce the expenditures attributed to the 2019 Discretionary Grant by approximately \$1.36 million, moving them to the 2020 grant instead. Based on our review of the department's support for the April 2022 entry, the underlying expenditures moved were the same as those already moved in the January 2022 entry. Thus, the accounting records and support indicate the department moved the same expenditures twice from the 2019 Discretionary Grant to the 2020 Discretionary Grant, as part of closing out the 2019 grant.

We were unable to test all the earmarking requirements for the 2019 Discretionary Grant as a result of these entries and the concerns we have with the accuracy of the accounting records as previously described. The department has an opportunity to enhance the support included in their journal entries recorded as part of the grant close-out process. This should help allow them to demonstrate what activities are being paid from which grant funds, which will facilitate their ability to demonstrate compliance with earmarking requirements. Given the concerns with the 2019 grant entries and their impact on the 2020 grant, we were also unable to test compliance with earmarking requirements for the 2020 grants.

Additionally, when we reviewed support for the January 2022 entry, we noted a portion of the expenditures it moved to the 2020 Discretionary Grant were for activities incurred before the start of the period of performance for that grant. We have reported these as questioned costs in



finding 2023-062. Given the April 2022 journal entry was for the same underlying expenditures, additional questioned costs may exist. However, additional adjusting entries may have occurred.

**Repeat Finding:** Montana's Single Audit report for the two fiscal years ended June 30, 2021, included a finding (#2021-058) related to implementing internal controls over requirements related to period of performance, matching, level of effort, and earmarking. That finding also referred to a related finding (#2019-019) in Montana's Single Audit for the two fiscal years ended June 30, 2019.

**Effect:** The department misrepresented CCDF program expenditure activities during the audit period in its ACF-696 financial reporting. Absent effective internal controls, the department is at heightened risk of not meeting its federal grant management requirements related to period of performance, earmarking, level of effort, and matching. Based on our review, the department cannot demonstrate full compliance with earmarking requirements, and we were unable to reasonably determine compliance with all those requirements for grants that closed during the audit period. Additionally, as noted in finding #2023-0xx, we also identified some instances in which the department did not comply with period of performance requirements, resulting in questioned costs.

**Cause:** The ACF-696 reports are prepared by accounting and financial reporting staff outside of the division responsible for managing the CCDF program and are reviewed by program personnel prior to submission. The ACF-696 reporting template is used to pull expenditure data from the state's accounting system and incorporate it in the ACF-696 report based on the fund and project attached to the data. Based on our work, a portion of the errors we identified were caused by the initial expenditures recorded to incorrect projects in the state's accounting system. A portion of the errors also appear to be related to incorrect or incomplete analysis of the financial activity and reporting requirements.

Department personnel indicated program staff caught some errors in their review, but the errors were not corrected prior to the submission of the report. Additionally, department personnel indicated there was turnover in both the program staff and division responsible for compiling the ACF-696 report. Overall, the department has an opportunity to enhance internal controls over the ACF-696 report process, including ensuring data is appropriately recorded on the state's accounting system, to facilitate accurate financial reporting as a mechanism to not only comply with reporting requirements but to monitor other financial grant management requirements.

As part of the audit process, department personnel agreed there were errors in the reports and that some expenditures were coded incorrectly in the accounting records. They also recognized the need to include more support in their journal entries moving activities between grant funds, to ensure they could demonstrate what was being moved and why. They indicated they began to make changes to accounting procedures and reporting processes towards the end of the audit period. Based on timing, and the cumulative nature of the reports, these changes in procedures did not have a significant impact on controls and compliance for our audit period but will be considered in future audits.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls over the ACF-696 quarterly financial reporting process for the Child Care Development Fund Cluster program.
- B. Enhance internal controls over financial management of grant funds, to facilitate compliance with requirements related to period of performance, matching, level of effort, and earmarking for the Child Care Development Fund Cluster program.
- C. Enhance documentation to demonstrate compliance with earmarking requirements for the Child Care Development Fund Cluster program.
- D. Accurately report Child Care Development Fund Cluster program expenditure activity in the ACF-696 quarterly financial reports.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-062:** U.S. Department of Health and Human Services  
 ALN #93.575 and 93.596, Child Care Development Fund Cluster (CCDF)  
 (COVID-19)  
 Grant #2001MTCCDF, 2101MTCCDF

**Criteria:** Federal regulation, 45 CFR 98.60(d)(1), indicates discretionary CCDF funds must be obligated in the fiscal year in which the funds are awarded or in the succeeding fiscal year. Additionally, the Notice of Award provided by the Department of Health and Human Services stipulates that the budget period for the 2020 Discretionary Grant begins October 1, 2019.

Per federal regulation, 45 CFR 98.64, unobligated discretionary funds are subject to reallocation and redistribution to other states.

Federal regulation, 45 CFR 98.60(d)(4), indicates the determination of whether CCDF funds have been obligated or liquidated will be based on either governing state or local law or, in the absence of applicable state or local law, information in 45 CFR 75.2. This regulation states, “when used in connection with a non-Federal entity’s utilization of funds under a Federal award, obligations mean orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period of time.”

Federal regulation, 45 CFR 98.60(d)(5), indicates obligations may include subgrants or contracts that require payment of funds to a third party, and stipulates that lead agencies, such as the Department of Public Health and Human Services (department), or another entity at the same level of government as the lead agency are not considered third party subgrantees or contractors.

**Condition:** During the audit period, the department charged salary, print, and mail expenditures to its discretionary CCDF grant funds for costs incurred after the obligation deadline for the funds. These expenditures did not result from orders placed for property and services, contracts, or subawards to third parties. Additionally, for one discretionary grant the department incurred some costs before the start of the period of performance.

**Questioned Costs:** For the 2020 Discretionary Grant, we identified known questioned costs for the \$44,978 of salary expenditures discussed in the context section that were charged to the grant. Additionally, we consider the \$22,330 of related personal services expenditures charged to the grant, and discussed in the context section, to be likely questioned costs. We also question \$808,345 of expenditures charged to the 2020 Discretionary Grant, for expenditures associated with payments issued for activities occurring before the start of the period of performance. These known and likely questioned costs are related to ALN #93.575.

For the 2021 Discretionary Grant, the \$16,028 of printing, postage, and mailing costs charged to the grant after the obligation deadline, discussed in the context section, are known questioned costs. These questioned costs are related to ALN #93.575.

**Context:** The department's 2020 and 2021 Discretionary Grant awards were \$16,183,100 and \$16,030,772, respectively. We reviewed the expenditures charged to these grant funds during our audit period to determine whether they were obligated by the required deadlines. As part of our review, we noted the following instances in which expenditures either were, or likely were, incurred and paid after the applicable obligation deadlines.

- Fiscal 2020 Discretionary Grant Funds – the obligation deadline for these grant funds was September 30, 2021. Based on our review, the department recorded normal bi-weekly payroll costs for pay periods ending after the obligation deadline to the grant funds. Given the state's bi-weekly payroll process, employees do not earn their compensation until time has been worked or leave has been charged. We reviewed all of the journal entries for the \$44,978 of salary expenditures charged to the grant funds after the obligation deadline. We confirmed all were recorded as part of the normal bi-weekly pay process, after payroll processing for periods occurring before September 30, 2021, would have been recorded. The department also recorded other associated personal services costs, such as those for benefits, totaling \$22,330 in the same period of time when the salary expenditures were charged to the grant funds. Based on our review of the accounting records, these expenditures were likely also associated with pay periods that ended after the September 30, 2021, obligation deadline.
- Fiscal 2021 Discretionary Grant Funds – the obligation deadline for these grant funds was September 30, 2022. The department charged certain types of general operating expenditures, such as costs for print, mail, and postage, totaling \$16,028, to the grant funds after the obligation deadline. The nature of these types of expenditures are largely for services that the department receives from other state agencies, such as mailing items. Based on our review of the accounting records and inquiries with department personnel, these expenditures were not obligated by the obligation deadline.

Additionally, we identified expenditures charged to the 2020 Discretionary Grant funds that were incurred before the start of the period of performance for the grant. The period of performance start date for these funds was October 1, 2019. The department recorded journal entries in state fiscal year 2022 to move \$1.36 million of expenditures from the 2019 discretionary grant funds to the 2020 Discretionary Grant funds. While their support shows an analysis of the accounting transactions recorded after October 1, 2019, two of the journal entries included in their support were transactions to re-record expenditures for payments issued in fiscal year 2019. These expenditures were temporarily reduced while Budget Change Documents were processed for the department's reorganization. Based on our review, a majority of the initial expenditures underlying the re-recorded total amount were for payments to the department's Child Care Resource and Referral (CCR&R) agencies for time periods before October 1, 2019. In total, we identified \$808,345 of payments included in the re-recorded expenditures, that were issued for activity occurring before October 1, 2019.

**Effect:** The department did not comply with federal regulations, resulting in the known questioned costs discussed above. For the known and likely questioned costs, there is risk the department will have to repay the federal government for the costs.

**Cause:** As noted in Finding #2023-061, the department has an opportunity to improve its internal controls over compliance with period of performance requirements, which include the requirements discussed in this section.

For the personal services expenditures specifically, department personnel indicated in fiscal year 2023, one individual employee's time charging code was inadvertently not updated in the state's human resources system, resulting in approximately \$7,000 of salary expenditures and associated benefits being incorrectly charged to the 2020 Discretionary Grant instead of newer grant funds. For the remaining salary and benefit expenditures, department personnel believe it was appropriate to charge the activity to the 2020 Discretionary Grant, even though it was for pay periods ending after the September 30, 2021, obligation date. Personnel indicated the staff whose costs were being paid were employed by the department before September 30, 2021, and that the salary and benefit expenditures charged to the 2020 Discretionary Grant for them in fiscal year 2022 were reasonable to charge to the grant during the grant liquidation period. As previously noted, state employees do not earn their compensation until time has been worked or leave has been charged, so we do not believe the personal services expenditures recorded in fiscal year 2022 for pay periods ending after September 30, 2021, were obligated by the September 30, 2021, deadline.

For the CCR&R expenditures charged to the 2020 grant that were for activities that occurred before the start of the period of performance, the department's analysis appears to have overlooked the nature of the entries and that consideration should have been given to the underlying actual payments.

**Recommendation:** We recommend the Department of Public Health and Human Services only charge expenditures to federal Child Care Development Fund Discretionary funds for activities occurring during the obligation period.

**Views of Responsible Officials:** The department conditionally concurs with this recommendation. The department stated that significant improvement occurred in fiscal year 2023, including additional controls to ensure inactivation of costs centers to prevent payroll or other expenses to post beyond the first year of the CCDF Discretionary Grant. The department noted that several of the observations discussed in the finding occurred during a department reorganization, which is rare. Per the department, they have identified set-aside costs for grant funds that are allowable and offset portions of the questioned costs.

**Rebuttal of Views of Responsible Officials:** We considered the department's conditional concurrence. It is our position that internal controls in place during the audit period or at the time of audit were not adequate to ensure costs charged to the CCDF grants were incurred during the appropriate period of performance. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-063:** U.S. Department of Health and Human Services  
ALN #93.575 and 93.596, Child Care Development Fund Cluster (CCDF)  
(COVID-19)  
Grant #2101MTCSC6

**Criteria:** Federal regulation, 45 CFR 98.60(d)(1), indicates discretionary CCDF funds must be obligated in the fiscal year in which the funds are awarded or in the succeeding fiscal year.

Federal regulation, 45 CFR 98.64, specifies unobligated discretionary funds are subject to reallocation and redistribution to other states.

Federal regulation, 45 CFR 98.60(d)(4), indicates the determination of whether CCDF funds have been obligated or liquidated will be based on either governing state or local law or, in the absence of applicable state or local law, information in federal regulation 45 CFR 75.2. This regulation states, “when used in connection with a non-Federal entity’s utilization of funds under a Federal award, obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period of time.”

Federal American Rescue Plan Act (ARPA) Stabilization guidance specifies CCDF Discretionary obligation and liquidation periods at 45 CFR 98.60(d)(1) apply to ARPA Stabilization funds. Lead agencies, such as the Department of Public Health and Human Services (department) had until September 30, 2022, to obligate ARPA Stabilization Grants funds.

Federal regulation, 45 CFR 98.68(a), requires lead agencies such as the department to describe in their state plan the effective internal controls that are in place to ensure program integrity and accountability.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department’s internal controls were not effective in ensuring all ARPA Stabilization funds were obligated by the required September 30, 2022, deadline. The department did not obligate all funds by the deadline, and subsequently issued payments to providers from the unobligated funds.

**Questioned Costs:** We question approximately \$3.5 million in payments issued to providers from funds that were not obligated by September 30, 2022. These payments were issued under ALN #93.575.

**Context:** The department received \$68,075,745 in ARPA Stabilization funds. Federal guidance stipulated a majority of the funds were to be issued as grants to qualified childcare providers to support the stability of the childcare sector during and after the COVID-19 public health emergency.

Initially, the department partnered with childcare providers to support their operational expenses. Four funding cycles took place through August 2022. By the end of these cycles, there were surplus funds available for providers. To distribute these, a fifth payment cycle was introduced for providers willing to accept additional funds. Contract amendments reflecting these payments were initiated in October 2022, and notices of awards detailing the dollar amounts to be awarded through contract amendments were sent to providers before the September 30, 2022, deadline. While these notices of awards were not official contracts or subaward documents, we believe they were sufficient to constitute an obligation, given they were formal notifications signed by the department stating the dollar amount by which the existing contracts would be amended. The department's records show that contracts with providers through the fifth funding round totaled approximately \$58.6 million, all of which were obligated by the deadline.

In addition to the fifth payment cycle, the department also allocated a portion of the surplus funds available after the four initial funding cycles to providers in childcare deserts – areas in which there is a small supply of childcare providers. The department worked with these providers to determine if they were willing to accept additional funds, separate from the fifth round of funding. Prior to September 30, 2022, the department received email confirmation from providers agreeing to accept more funds. This correspondence did not indicate the amount of funding that would be provided or otherwise commit the department to make payments of specified dollar amounts to the providers. Therefore, the department cannot demonstrate that as of September 30, 2022, they had an enforceable commitment to issue payments totaling the \$3.5 million that was later paid to the childcare desert providers. Therefore, according to federal regulation 45 CFR 75.5, these funds were not considered obligated. In November 2022, the department sent letters to providers detailing their award amounts and the terms and conditions. Department records show in total, approximately \$3.5 million in payments were made to providers for these desert payments.

**Effect:** Not having effective internal controls to ensure all funds were appropriately obligated by the September 30, 2022, deadline put the department at risk of non-compliance with federal regulations. By subsequently issuing payments to providers from the unobligated funds, the department did not comply with federal regulations, resulting in the approximate \$3.5 million in questioned costs disclosed above.

**Cause:** The CCDF program received a significant influx in federal funding during the audit period, in response to the COVID-19 public health emergency. Administering these funds increased the department's workload. Department personnel worked closely with providers to allocate the ARPA Stabilization funds, including the extra funding that existed after initial

contracts were paid. Per department personnel, some factors, such as tax implications, impacted whether providers were willing to accept additional funds and when they were willing to accept them. Working through this took time. While the department ensured they received agreement from providers to accept additional payments and had an internal plan for how to allocate the remaining available funds across providers by the September 30, 2022, deadline, they had not externally committed themselves to making payments of any set dollar amount. Simply having a plan and receiving providers' agreement to accept more funds is not enough to support the department had obligated the funds. Department personnel believe the definition of an obligation in federal regulations is vague and does not require a stated dollar amount. While we agree the federal regulation does not require a stated dollar amount, the department did not have an enforceable contract or subaward agreement, committing them to issue payments by the deadline.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Implement internal controls to ensure federal Child Care Development Fund Cluster funds are obligated by established deadlines.
- B. Comply with federal regulations by ensuring Child Care Development Fund Cluster obligations are supported by orders placed, contracts and subawards made, or similar transactions.

**Views of Responsible Officials:** The department does not concur with this recommendation. The department's position is they obligated all funds and then reallocated the surplus to providers that had not received prior stabilization funds. Providers that received reallocated funds were required to provide email confirmation of their express intent to receive unliquidated funds prior to September 30, 2022. The department's position is that once providers confirmed they agreed to accept the funds, the department had a valid obligation and did not request the waiver offered by their federal cognizant to extend the obligation period.

**Rebuttal of Views of Responsible Officials:** We considered the department's nonconurrence with the recommendation. While the department ensured they received agreement from providers to accept additional payments by September 30, 2022, they had not externally committed to making payments of any set dollar amount. It is our position that receiving provider's agreement to accept more funds is not enough to support obligation of the funds. The department did not have an enforceable agreement committing them to issue payments by the deadline.



**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-064:** U.S. Department Health and Human Services  
 ALN #93.375 and 93.596, Child Care Development Fund Cluster (CCDF)  
 (COVID-19)  
 Grant #2101MTCCC5

**Criteria:** Federal regulation, 45 CFR 98.20(a)(2)(i), indicates a child’s eligibility for childcare services under the CCDF program is dependent on the child residing with a family whose income does not exceed 85% of the state’s median income.

The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, Public Law 116-260, authorizes states to use funds appropriated under the Act to provide childcare assistance, without regard to income eligibility requirements, to health care sector employees, emergency responders, sanitation workers, farmworkers, and other workers deemed essential by public officials during the response to the coronavirus. Regular income eligibility requirements in federal regulation, 45 CFR 98.20, apply to all other individuals.

Federal regulations, 45 CFR 98.41 and 45 CFR 98.42, establish health and safety requirements for providers, and require lead agencies, such as the Department of Public Health and Human Services (department), to require inspections of childcare providers and facilities to determine compliance with the health and safety requirements. These requirements apply to all providers, other than those classified as relative care exempt, meaning a relative provides the care.

Federal regulation, 45 CFR 98.68(a), requires the department to describe in their state plan the effective internal controls that are in place to ensure program integrity and accountability.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department established the Best Beginnings Child Care Scholarship Program to subsidize the cost of childcare for families meeting federal eligibility requirements, including income requirements noted above. The department used a portion of the state’s CRRSA federal funds to establish the “Elementary Out of School Time Scholarship” program (summertime program). Through the summertime program, the department reimbursed families who did not meet the eligibility requirements of the Best Beginnings Child Care Scholarship Program for the cost of summertime care for elementary students.

The department’s internal controls were not effective in ensuring that the summertime program was set-up to comply with federal regulations governing eligibility and health and safety

requirements or with the CRRSA Act requirements. Contrary to federal regulations, reimbursements for the summertime program were provided to families without regard to income and to a broad set of provider types, including those not subject to the department's health and safety monitoring and inspections.

**Questioned Costs:** In total, the department paid approximately \$17.1 million to families through the summertime program. While the department may be able to retroactively analyze the payments and support that a portion of them would have been allowable, at the time the payments were made, they did not have a procedure in place to ensure eligibility requirements were met. As such, we question the total \$17.1 million payments issued under ALN #93.575.

**Context:** The department offered the summertime program in the summers of 2021 and 2022. The department reimbursed families for summertime care totaling approximately \$17.1 million for the two years. As part of the audit, we interviewed department personnel and reviewed the department's program guidance, federal regulations, federal CRRSA guidance, and the department's 60-day report provided to the federal government detailing the department's intended use of CRRSA funds. We noted the following:

- The Summer 2021 program provided reimbursements of up to \$2,000 per child. For the Summer 2022 program, families could choose to receive either \$1,500 or \$2,000 per child.
- The department allowed families to seek reimbursement for a wide variety of provider types, including programs offered by schools and non-profit organizations, nannies, summer camps, licensed and unlicensed childcare providers, and family/friend/neighbor providers. Not all of these provider types are routinely monitored by the department or included in the health and safety inspections required for providers participating in the CCDF program.
- The department accepted self-attested employment information at the time of application. Program procedures did not indicate this employment information was considered when determining eligibility for the program. Additionally, while program procedures indicate the department intended to sample applicants to verify the self-attested employment status, department personnel indicated they did not have the staff capacity to complete the samples.
- In its 60-day report to the federal government, the department indicated it intended to provide assistance to families for school-aged care. The report states the department would dedicate funding to families who may not qualify for the subsidy program (Best Beginnings Child Care Scholarship Program) but have demonstrated a need for assistance. Per department personnel, they determined families had demonstrated a need for assistance if the application process showed the family was engaged in the workforce and had a child or children in need of summertime care. They defined engaged in the workforce as either employed, or in certain circumstances, seeking employment. After reviewing the 60-day report, we do not believe the level of detail in the report alone was sufficient to understand how the summertime program actually operated and who received support through it.

Given this information, we had concerns about the program's allowability. Before communicating our concerns to the department, we spoke with U.S. Department of Health and Human Services (HHS) Administration for Children and Families Office of Child Care (OCC) personnel for more perspective.

Following our communication of concerns to the department in November 2023, department personnel reached out to their federal partners to seek clarification on whether their implementation of the summertime program was appropriate in the context of governing regulations. In response, the department received preliminary information from the HHS Administration for Children and Families OCC, Division of Policy and Accountability. This feedback indicated that the state's description of how it utilized the CRRSA funds for the summertime program appeared to be inconsistent with CCDF rules regarding income eligibility and provider health and safety requirements.

Additionally, the information indicated that although the department submitted a 60-day report, the OCC did not approve the activities outlined in the report. Moreover, it was noted that the website where the 60-day reports were posted stated that "the CRRSA Act did not call for OCC to approve these reports, so OCC has not determined that all planned uses of the funds comply with CCDF and CRRSA requirements. Compliance with CCDF and CRRSA Act requirements will be determined through other OCC reporting mechanisms."

After receiving this information, department personnel considered alternative approaches to retroactively demonstrate the summertime program's compliance with governing regulations. They offered up that the March 2020 Governor's stay-at-home directive defined essential activities, businesses, and operations, and broadened the definition of essential worker, and indicated there was not a need to expand upon income eligibility because a large portion of the state's population had already been categorized as essential according to the stay-at-home directive. They noted that CRRSA funds could be utilized to offer childcare assistance to essential workers regardless of their income levels.

However, February 2024 correspondence from the HHS Administration for Children and Families OCC, Division of Policy and Accountability, indicates that this additional information did not alter their understanding of the situation. The OCC recommended the department take steps to:

- Document the extent to which families receiving the CRRSA-funded payments for the summertime program were in fact CCDF-eligible, including being income-eligible or essential workers.
- Document the extent to which providers who served the families met CCDF health and safety requirements.

By taking this approach, the department may be able to retroactively determine that a portion of the summertime program payments were made to CCDF-eligible families and that the providers who served the families met the CCDF health and safety requirements. However, this was not

determined when payment was made, so the payments were not reasonable and supported at that time.

Furthermore, given that the department initially accepted self-attested employment information without conducting the intended sampling to verify that information, there is risk that the current information available is not a reasonable or accurate basis for a retroactive evaluation.

**Effect:** The department cannot demonstrate that when the summertime program was established, appropriate factors and circumstances were considered concerning federal regulations governing the CCDF program and with the CRRSA Act and associated guidance. As a result, when payments were made for the summertime program, the department could not demonstrate that they were made to families who were eligible for the funds and that the families used providers meeting the CCDF health and safety requirements. As a result, we question the \$17.1 million of expenditures for the summertime program. As is the case with all questioned costs, there is a potential for the federal government to seek recovery of the questioned costs from the department as part of resolving this audit finding.

**Cause:** The department experienced turnover in the division responsible for administering the CCDF program, and current program personnel could not speak to all the decisions and considerations that went into creating the summertime program. However, current department personnel indicated the department was transparent in its 60-day report provided to the federal government, and that they believed the federal government intended to review those reports and follow-up if there were concerns over the use of the funds. They further indicated the department provided updates on the use of the funds in monthly calls with their federal partners, and they received no indication the summertime program would not be an allowable use of the CRRSA funds.

Current department personnel indicated that because of the state's broad definition of essential workers in the March 2020 Governor's stay-at-home directive, a large portion of the state's population had already been defined as essential workers. They believed the definition of an essential worker from the stay-at-home directive could be applied to the summertime program. However, they cannot confirm there was consideration of this definition, or a management decision to use it, when the summertime program was established, and program guidance does not refer to the stay-at-home directive as part of determining eligibility for the summertime program. Current personnel further indicated that employment data was collected at the time of application, and they believe the intent was for the department to be able to tie that information into the definition of essential worker. While this data was collected, it was not verified, and program procedures did not require it to be considered as part of determining eligibility.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls to ensure programmatic decisions and factors considered in establishing new programs or implementing changes to existing programs within the Child Care Development Fund Cluster are documented and consistent with all federal regulations.
- B. Comply with federal regulations governing eligibility and health and safety requirements for the Child Care Development Fund Cluster.

**Views of Responsible Officials:** The department conditionally concurs with this recommendation. The department's position is that they were operating a program that was communicated to their federal partners based on the intent, with limited program instruction, and was thus an allowable use of the funding. They believe they were transparent in their use of the funds for the scholarship program. The department has commenced documenting all payments per the Office of Child Care request. The department represents they have documented that \$8.8 million of the questioned costs were allowable and 93% of payments went to workers identified as essential.

**Rebuttal of Views of Responsible Officials:** We considered the department's conditional concurrence. Our finding is based on documentation available during the audit period and discussions with the federal Office of Child Care about program eligibility and health and safety requirements. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-065:** U.S. Department of Health and Human Services  
ALN #93.767, Children’s Health Insurance Program (CHIP) (COVID-19)  
Grant #210 5MT5021, 2205MT5021, 2305MT3002

**Criteria:** Federal regulations, 42 CFR 455.410 and 455.412, require the Department of Public Health and Human Services (department) to ensure CHIP providers are licensed, screened, and enrolled in accordance with the State Plan requirements. These activities are required in order for a provider to receive CHIP payments.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department does not have agency-level controls to ensure CHIP providers not enrolled to provide services under the Medicaid program are properly licensed, screened, and enrolled, as required by federal regulations. Absent these procedures, the department cannot demonstrate it has complied with provider eligibility screening and enrollment requirements for the audit period.

**Questioned Costs:** Because the department pays benefits in a lump sum to its contractor for all provider claims processed within a given timeframe, it is not practicable to determine the amount of claims paid for only the 782 providers for which the department cannot demonstrate compliance. However, we believe likely questioned costs exceed the \$25,000 threshold as a result of the noncompliance.

**Context:** The department uses two processes to conduct provider eligibility screening and enrollment for the federal CHIP program. The department conducts the eligibility screening and enrollment processes for providers that provide services under the state’s Medicaid program. However, other providers are screened and enrolled by a contractor. The department has no controls in place ensure providers enrolled by the contractor are screened and enrolled as required by federal regulations. The federal requirement for provider eligibility is not new, and the department’s use of a contractor for CHIP provider enrollment is also not a new process. Our prior audits of the department have not identified this issue.

Benefits and claims expenditures for the CHIP program for the audit period were \$168.7 million. Of these expenditures, approximately 55% were paid to providers whom the department’s contractor enrolled.

We analyzed the make-up of CHIP providers for the audit period and noted a total of 36,552 providers. Of these, 10,862 were included on both provider listings for department enrollment procedures and contractor-determined enrollment procedures. There were 782 providers subject only to contractor-determined enrollment procedures, therefore, the department cannot demonstrate compliance for the audit period.

**Effect:** Without department-level controls over provider enrollment decisions made by a contractor, the department is not compliant with federal regulations for the CHIP program. Payments made to providers who have not been properly subjected to provider eligibility screening and enrollment requirements are not allowable, putting the department at risk of incurring unallowed costs. Questioned costs were identified for the audit period.

**Cause:** Department control processes did not identify the need to review and monitor the enrollment determinations being made by its contractor.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Develop and maintain internal controls to review and monitor provider eligibility screening and enrollment determinations made by the department's contractor.
- B. Ensure providers enrolled by the department's contractor are licensed, screened, and enrolled prior to making payment to the provider, as required by federal regulations.

**Views of Responsible Officials:** The department partially concurs with this recommendation. The department has a contract with a third party to ensure CHIP providers are screened and enrolled in accordance with federal regulations. The contractor has policies and procedures on screening and enrolling providers and also obtains an annual service organization controls (SOC) audit.

**Rebuttal of Views of Responsible Officials:** We considered the department's partial concurrence. The SOC report does not specifically address provider eligibility and does not provide evidence of their compliance with the contract requirements. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-066:** U.S. Department of Health and Human Services (HHS)  
ALN #93.775, 93.777, and 93.778, Medicaid Cluster  
Grant #Various

**Criteria:** Federal regulation, 45 CFR 95.621(f)(3), requires state agencies to review the automated data processing (ADP) system security of installations involved in the administration of Medicaid biennially.

Federal regulation, 45 CFR 95.621(f)(6), requires state agencies to maintain reports of their biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site review.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Department of Public Health and Human Services' (department) controls were ineffective to conduct and document biennial ADP system security reviews as required by federal regulation. The department was not able to provide evidence that it performed all required ADP security reviews of internally hosted systems and did not maintain documentation of the security reviews.

**Questioned Costs:** No questioned costs identified.

**Context:** ADP systems involved in the administration of Medicaid include systems for eligibility determination, claims processing and management, and a data warehouse. Due to the nature of information needed for the Medicaid program, it is critical that security of these systems be maintained and reviewed often for weaknesses that could expose personal or health information to unauthorized users.

Various ADP systems are used, including internally hosted systems and vendor systems hosted elsewhere, which requires a method for tracking progress of the multiple reviews. One of the department's key controls for ensuring that ADP system security reviews are completed biennially is the use of a spreadsheet to track review completion. The spreadsheets do not contain the appropriate level of detail necessary for the department to ensure compliance with ADP system security review requirements. Additionally, they do not include the date of review completion.

The department has 19 ADP systems that require biennial security reviews. We completed a sample of five of these systems to determine whether security reviews were completed. The



sample was not statistically valid. The department was unable to provide complete documentation of security review for four of the five systems tested.

**Effect:** Without adequate internal controls in place, the department is unable to demonstrate compliance with federal regulation over ADP systems, and systems may not be reviewed for security as required. Without security reviews, the department may not detect security weaknesses within ADP systems.

**Cause:** The department experienced turnover in the division responsible for tracking the required reviews of ADP systems for Medicaid. Current staff no longer had access to reports and memos since the reports had been stored on a former employee's personal drive.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Develop internal controls to complete reviews of systems biennially as required by federal regulation.
- B. Complete a security review of each ADP system at least biennially as required by federal regulation.
- C. Maintain reports of its biennial automated data processing system security reviews and pertinent supporting documentation as required by federal regulation.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

- Finding 2023-067:** U.S. Department of Agriculture  
ALN #10.551 and 10.561, SNAP Cluster  
Grant #Various
- U.S. Department of Education  
ALN #84.126, Rehabilitation Services – Vocational Rehabilitation Grants to States  
Grant #H126A210038, H126A220038, H126A230038
- U.S. Department of Health and Human Services  
ALN #93.268, Immunization Cooperative Agreements (COVID-19)  
Grant #Various
- ALN #93.323, Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (COVID-19)  
Grant #Various
- ALN #93.558, Temporary Assistance for Needy Families (TANF) (COVID-19)  
Grant #2101MTTANF, 2201MTTANF, 2301MTTANF
- ALN #93.563, Child Support Services  
Grant #2101MTCSES, 2201MTCSES, 2301MTCSES, 2101MTCEST, 2201MTCEST, 2301MTCEST
- ALN #93.566, Refugee and Entrant Assistance State/Replacement Designee Administered Programs  
Grant #2101MTRCMA, 2201MTRCMA, 2301MTRCMA
- ALN #93.575 and 93.596, Child Care Development Fund Cluster (CCDF) (COVID-19)  
Grant #2101MTCCDF, 2201MTCCDD, 2201MTCCDF, 2301MTCCDD, 2301MTCCDF
- ALN #93.658, Foster Care – Title IV-E (COVID-19)  
Grant #2101MTFOST, 2201MTFOST, 2301MTFOST
- ALN #93.659, Adoption Assistance – Title IV-E (COVID-19)  
Grant #2101MTADPT, 2201MTADPT, 2301MTADPT

ALN #93.767, Children’s Health Insurance Program (CHIP) (COVID-19)  
Grant #2105MT5021, 2205MT5021, 2305MT3002

ALN #93.775, 93.777, 93.778, Medicaid Cluster (COVID-19)  
Grant #1205MT5ADM, 2205MT5ADM, 2305MT5ADM

**Criteria:** Federal regulation, 2 CFR Appendix VI, in part, requires the state public assistance agency to develop, document, and implement a public assistance cost allocation plan in accordance with federal regulations. This section and federal regulation, 45 CFR 95.509, require the state agency promptly amend the cost allocation plan and submit the amended plan if certain events occur.

Federal regulation, 45 CFR 200.416, requires a process for central services costs to be identified and assigned to benefitted activities on a reasonable and consistent basis.

Federal regulation, 45 CFR 95.515, specifies the effective date of the cost allocation plan amendment is the first day of the calendar quarter following the date of the event requiring the amendment.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** For the fourth audit in a row, the Department of Public Health and Human Services (department) did not follow its federally approved plan to allocate costs among state and federal programs. Additionally, department internal controls did not prevent these inconsistencies.

**Questioned Costs:** Using the “PACAP Impact Statement” sections of Public Assistance Cost Allocation Plan (PACAP) amendments for 2021, 2022, and 2023, which were submitted between May and November 2023, we estimated likely questioned costs. The following table summarizes questioned costs for major federal programs with material noncompliance or other federal programs where questioned costs are projected to exceed \$25,000.

Federal Program	Estimated Likely Questioned Costs
SNAP	\$162,079
Vocational Rehabilitation	\$192,917
TANF	\$26,090
Child Support Services	\$62,930
Refugee and Entrant Assistance	\$55,314
Foster Care	\$6,426
Adoption Assistance	\$3,644
CHIP	\$93,217
Medicaid	\$729,257

**Context:** For the majority of the period under audit, the cost allocation plan in effect was submitted to the federal government in March 2020 and was effective as of January 1, 2020. The plan amendment for fiscal year 2021 was not submitted until May 2023, and plan amendments for fiscal years 2022 and 2023 were submitted after the end of the period under audit. Costs allocated to state and Federal programs totaled \$173,808,149 and \$184,493,577 for fiscal years 2022 and 2023, respectively. The table below depicts the total indirect costs allocated to each of the federal programs where we identified material noncompliance or questioned costs required to be reported.

<b>Total Costs Allocated to Select Federal Programs for Fiscal Years 2022 and 2023</b>			
Federal Program	FY2022	FY2023	Total
SNAP	\$13,594,870	\$15,837,048	\$29,431,918
Vocational Rehabilitation	\$1,138,445	\$1,382,122	\$2,520,567
TANF	\$4,475,620	\$4,530,709	\$9,006,329
Child Support Services	\$4,322,510	\$4,303,823	\$8,626,333
Refugee and Entrant Assistance	\$82,735	\$83,478	\$166,213
Foster Care	\$3,372,952	\$4,311,222	\$7,684,174
Adoption Assistance	\$592,717	\$978,695	\$1,571,412
CHIP	\$3,105,910	\$3,626,153	\$6,732,063
Medicaid	\$52,232,381	\$53,136,246	\$105,368,627

The internal control deficiency applies to all federal programs regardless of our identification of material noncompliance or reportable questioned costs.

**Repeat Finding:** Montana’s prior Single Audit reports provided several recommendations to the department regarding its cost allocation plan. The report for the fiscal years ending June 30, 2017, recommended improving internal controls over the cost allocation plan (recommendation #2017-014). The report for the fiscal years ending June 30, 2019, advised the department to review and document all cost pools to ensure they align with the approved plan, obtain federal approval for changes, develop internal controls to detect variances, and allocate costs accordingly (#2019-022). The report for the fiscal years ending June 30, 2021, recommended enhancing internal controls, thoroughly reviewing cost allocation procedures, and obtaining federal approval before implementing changes (#2021-063).

**Effect:** The department has not complied with federal compliance requirements by not following its submitted cost allocation plan.

**Cause:** Since the previous audit, the department contracted with an external entity to review its cost allocation process and assist the department in making changes to cost pools and implementing new tools to facilitate the allocation processes. However, all work to review and modify the cost allocation processes was not completed during the audit period. During the audit period, the department continued implementing changes to cost pools and allocation methodologies outside the approved cost allocation plan.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls over cost allocation to ensure compliance with federal regulations.
- B. Continue and complete its in-depth review of its cost allocation procedures and plan.
- C. Allocate costs as specified in the cost allocation plan, as required by federal regulations.
- D. Implement changes to the cost allocation process only after receiving approval from, or submitting a plan revision to, the federal government.

**Views of Responsible Officials:** The department conditionally concurs with this recommendation. The department represented it was unable to comply with federal requirements to only implement changes to the cost allocation process after receiving approval or submitting a plan revision. The department has been in ongoing discussions with the federal government since March 2020 regarding the amendment effective 07/01/2018. This amendment was approved after 5 years on 09/12/2023. The department has implemented a two-year long business process improvement, and amendments are now submitted quarterly. It is the department’s position that the use of the impact statement from the department’s cost allocation plan is not a reasonable method for developing questioned costs as the impact statement includes estimates and does not delineate between actual increases in claiming costs and changes to allocation.

**Rebuttal of Views of Responsible Officials:** We considered the department’s conditional concurrence. Since the department was not following its approved plan, it is our position that all

changes captured in the impact statement represent questioned costs as they would not have been allocated in that manner under the approved plan. As such, our recommendation stands.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-068:** U.S. Department of Health and Human Services  
 ALN #93.575 and 93.596, Child Care Development Fund Cluster (CCDF)  
 (COVID-19)  
 Grant #2101MTCCDF, 2101MTCCC5, 2201MTCCDD, 2201MTCCDF,  
 2301MTCCDD, 2301MTCCDF

**Criteria:** Federal regulation, 2 CFR Part 170, Appendix A(I)(a) and (a)(2)(ii), requires non-federal entities to report to the Federal Funding Accountability and Transparency Act (FFATA) reporting system each action that equals or exceeds \$30,000 in federal funds for a subaward to a non-federal entity. The report should be submitted no later than the end of the month following the month in which the obligation was made.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** During fiscal years 2022 and 2023, the Department of Public Health and Human Services' (PHHS or department) internal controls were not sufficient to ensure all CCDF actions equal to or greater than \$30,000 were accurately, completely, and timely reported to the FFATA reporting system. Actions for CCDF occur when funds are obligated to subrecipients, Child Care Resources and Referral agencies.

**Questioned Costs:** No questioned costs identified.

**Context:** To complete our audit testing, we started by using data available at [usaspending.gov](https://usaspending.gov) and reviewed all obligations reported during the audit period as compared to obligations made through contracts to subrecipients. The CCDF program awarded approximately \$37 million to eight subrecipients through six federal awards during the audit period. Based on our audit work, PHHS should have reported at least 43 actions, while the department only filed four actions. Of the four actions filed, two were inaccurate in amount and untimely. Additionally, the department reported actions for two entities that were not subrecipients totaling approximately \$1.7 million. The number of instances and corresponding dollar amounts are summarized below.

Summary of CCDF FFATA Report Testing					
	Reports Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
Number of Instances	4	41	2	2	0
Dollar Amount of Instances	\$3,410,645	\$36,777,291	\$955,543	\$748,572	Not applicable

**Repeat Finding:** The CCDF program has not had previous FFATA findings. However, the department had FFATA findings in the prior audit for other programs. These findings included #2021-064, #2021-065, and #2021-066 in Montana’s Single Audit for the two fiscal years ended June 30, 2021.

**Effect:** The department is not in compliance with FFATA reporting requirements. A lack of internal controls resulted in required reporting of actions not occurring, untimely reporting, and inaccurate reporting of subawards. The purpose of FFATA reporting is to provide transparency to the federal grantor agencies and the public. The errors identified during the audit could mislead a user of the data provided through FFATA reporting.

**Cause:** The department uses a central contracting system to capture contract actions that require FFATA reporting. However, the CCDF program uses a separate contracting system that was not considered for FFATA reporting. As a result, the central contracting system did not contain accurate or complete CCDF contract information. Overall, FFATA reporting is done centrally for a large number of federal programs and awards. Based on our testing for other federal programs that use the central contracting system, the information captured in the central system still resulted in inaccurate FFATA reporting for those programs.

Per the department, they do not have a good system or process that allows for tracking and compiling some of the specific required data. Additionally, implementing tracking mechanisms could be costly and burdensome on the department. This could involve developing a new system and the department currently does not have the resources to take on this type of project. We were unable to estimate the potential cost of developing a new system.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls to ensure timely, accurate, and complete submission of FFATA reports for the Child Care Development Fund program.
- B. Submit FFATA reports for the Child Care Development Fund program in accordance with federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department’s planned corrective action see the Corrective Action Plan starting on page D-1.



**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-069:** U.S. Department of Health and Human Services  
 ALN #93.323, Epidemiology and Laboratory Capacity for Infectious  
 Diseases (ELC) (COVID-19)  
 Grant #Various

**Criteria:** Federal regulation, 2 CFR Part 170, Appendix A(I)(a) and (a)(2)(ii), requires non-federal entities to report to the Federal Funding Accountability and Transparency Act (FFATA) reporting system each action that equals or exceeds \$30,000 in Federal funds for a subaward to a non-Federal entity. The report should be submitted no later than the end of the month following the month in which the obligation was made.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** During fiscal years 2022 and 2023, the Department of Public Health and Human Services' (PHHS or department) internal controls were not sufficient to ensure all ELC actions equal to or greater than \$30,000 were accurately, completely, and timely reported to the FFATA reporting system. Actions for ELC occur when funds are obligated to subrecipients, including counties and schools.

**Questioned Costs:** No questioned costs identified.

**Context:** To complete our audit testing, we started by using data available at [usaspending.gov](https://usaspending.gov) and reviewed all obligations reported during the audit period as compared to obligations made through contracts to subrecipients. The department awarded approximately \$18 million in ELC funding to 45 county subrecipients during the audit period. Based on our audit work, PHHS should have reported at least 84 actions, while the department filed 281 actions. Of the actions filed, 79 actions were reported untimely, and 45 actions reported included incorrect amounts. Additionally, 12 expected actions were not reported. As a result of overreporting and duplication of transactions, a much larger dollar amount was reported in the system as compared to the amount actually granted. The number of instances and corresponding dollar amounts are summarized below.

Summary of ELC FFATA Report Testing					
	Reports Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
Number of Instances	281	12	79	45	0
Dollar Amount of Instances	\$2,304,319,023	\$556,252	\$18,000,152	\$322,642	Not applicable

In addition to the non-compliance discussed above, we also identified instances where actions were reported for entities that were not subrecipients. Further, we identified duplicative transactions overreporting the amount awarded to subrecipients. These additional items are summarized in the table below.

Additional ELC FFATA Report Testing		
	Reported, Not Subrecipients	Reported, Duplicate Transactions
Number of Instances	42	2,663
Dollar Amount of Instances	\$92,775,877	\$2,193,865,636

The department also made ELC subrecipient payments to schools during the audit period. As discussed in Finding #2023-054, the department did not initially classify its relationship with schools as a subrecipient. As a result, no FFATA reporting was completed for any obligations made to schools. The department made distributions to schools in 42 counties totaling approximately \$9.1 million.

**Repeat Finding:** Montana's Single Audit for the two fiscal years ended June 30, 2021, included a finding (#2021-066) to enhance internal controls over FFATA reporting and submit accurate and complete FFATA reports for the ELC program.

**Effect:** The department is not in compliance with FFATA reporting requirements. A lack of internal controls resulted in required reporting of actions not occurring, inaccurate reporting of subawards, and duplicate subawards. The purpose of FFATA reporting is to provide transparency to the federal grantor agencies and the public. The errors identified during the audit could mislead a user of the data provided through FFATA reporting.

**Cause:** Overall, FFATA reporting is done centrally for a large number of federal programs and awards. Reportable actions are determined through information entered into the department's

central contracting system. However, the information entered into the system was not consistently updated with accurate information to ensure the correct information was reported.

According to the department, they do not have a singular system or process that allows for tracking and compiling some of the specific required data. Implementing tracking mechanisms could be costly and burdensome for the department. This could involve developing a new system and the department currently does not have the resources to take on this type of project. We were unable to estimate the potential cost of developing a new system. The department does not have adequate internal controls for review of the data prior to submission due to the time commitment involved and an overall lack of resources. Per the department, the duplication of transactions appears to be due to each monthly submission being transferred into the federal system as a new action rather than an update to an existing action.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls to ensure timely, accurate, and complete submission of FFATA reports for the Epidemiology and Laboratory Capacity program.
- B. Submit FFATA reports for the Epidemiology and Laboratory Capacity program in accordance with federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-070:** U.S. Department of Health and Human Services  
ALN #93.658, Foster Care – Title IV-E (COVID-19)  
Grant #1801MTCAN, 2101MTFOST, 2201MTFOST, 2301MTFOST

**Criteria:** Federal regulation, 2 CFR Part 170, Appendix A(I)(a) and (a)(2)(ii), requires non-federal entities to report to the Federal Funding Accountability and Transparency Act (FFATA) reporting system each action that equals or exceeds \$30,000 in Federal funds for a subaward to a non-Federal entity. The report should be submitted no later than the end of the month following the month in which the obligation was made.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** During fiscal years 2022 and 2023, the Department of Public Health and Human Services' (PHHS or department) internal controls were not sufficient to ensure all Foster Care actions equal to or greater than \$30,000 were accurately, completely, and timely reported to the FFATA reporting system. Actions for Foster Care occur when funds are obligated to subrecipients, including tribes.

**Questioned Costs:** No questioned costs identified.

**Context:** To complete our audit testing, we started by using data available at [usaspending.gov](https://usaspending.gov) and reviewed all obligations reported during the audit period as compared to obligations made through contracts to subrecipients. The department awarded approximately \$4 million in Foster Care funding to seven subrecipients during the audit period. Based on our audit work, PHHS should have reported at least 28 actions, while the department filed 33 actions. Of the actions filed, 13 actions were untimely reported, and 15 actions reported included incorrect amounts. Additionally, 15 expected actions were not reported. As a result of overreporting and duplication of transactions a much larger dollar amount was reported in the system as compared to the amount actually granted. The number of instances and corresponding dollar amounts are summarized below.

Summary of Foster Care FFATA Report Testing					
	Reports Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
Number of Instances	33	15	13	15	0
Dollar Amount of Instances	\$53,432,898	\$4,642,721	\$2,417,530	\$6,394,824	Not applicable

In addition to the noncompliance discussed above, we also identified instances where actions were reported for entities that were not subrecipients and transactions reported for actions under the \$30,000 reporting threshold. Further, we identified duplicative transactions overreporting the amount awarded to subrecipients. These additional items are summarized in the table below.

Additional Foster Care FFATA Report Testing			
	Reported, not subrecipient	Reported, duplicate transactions	Reported, under \$30,000 threshold
Number of Instances	18	175	2
Dollar Amount of Instances	\$3,832,240	\$40,553,096	\$235,207

**Repeat Finding:** Montana’s Single Audit for the two fiscal years ended June 30, 2021, included a finding (#2021-065) to enhance internal controls over FFATA reporting and submit accurate and complete FFATA reports for the Foster Care program.

**Effect:** The department is not in compliance with FFATA reporting requirements. A lack of internal controls resulted in required reporting of actions not occurring, inaccurate reporting of subawards, untimely reporting, and duplicate subawards. The purpose of FFATA reporting is to provide transparency to the federal grantor agencies and the public. The errors identified during the audit could mislead a user of the data provided through FFATA reporting.

**Cause:** Overall, FFATA reporting is done centrally for a large number of federal programs and awards. Reportable actions are determined through information entered into the department’s central contracting system. However, the information entered into the system was not consistently updated with accurate information to ensure the correct information was reported.

According to the department, they do not have a singular system or process that allows for tracking and compiling some of the specific required data. Implementing tracking mechanisms could be costly and burdensome for the department. This could involve developing a new system and the department currently does not have the resources to take on this type of project. We were

unable to estimate the potential cost of developing a new system. The department does not have adequate internal controls for review of the data prior to submission due to the time commitment involved and an overall lack of resources. Per the department, the duplication of transactions appears to be due to each monthly submission being transferred into the federal system as a new action rather than an update to an existing action.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls to ensure timely, accurate, and complete submission of FFATA reports for the Foster Care program.
- B. Submit FFATA reports for the Foster Care program in accordance with federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-071:** U.S. Department of Health and Human Services  
 ALN #93.558, Temporary Assistance for Needy Families (TANF) (COVID-19)  
 Grant #101MTTANF, 2201MTTANF, 2301MTTANF

**Criteria:** Federal regulation, 2 CFR Part 170, Appendix A(I)(a) and (a)(2)(ii), requires non-federal entities to report to the Federal Funding Accountability and Transparency Act (FFATA) reporting system each action that equals or exceeds \$30,000 in federal funds for a subaward to a non-federal entity. The report should be submitted no later than the end of the month following the month in which the obligation was made.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** During fiscal years 2022 and 2023, the Department of Public Health and Human Services' (PHHS or department) internal controls were not sufficient to ensure all TANF actions equal to or greater than \$30,000 were accurately, completely, and timely reported to the FFATA reporting system. Actions for TANF occur when funds are obligated to subrecipients, including tribes and universities.

**Questioned Costs:** No questioned costs identified.

**Context:** To complete our audit testing, we started by using data available at [usaspending.gov](https://usaspending.gov) and reviewed all obligations reported during the audit period as compared to obligations made through contracts to subrecipients. The department awarded approximately \$5.5 million in TANF funding to 12 subrecipients during the audit period. Based on our audit work, PHHS should have reported at least 51 actions, while the department filed 57 actions. Of the actions reported, nine actions expected to be reported were not, 42 were not timely, and 42 had incorrect amounts reported. As a result of overreporting and duplication of transactions a much larger dollar amount was reported in the system as compared to the amount actually granted. The number of instances and corresponding dollar amounts are summarized below for the elements of non-compliance.

Summary of TANF FFATA Report Testing					
	Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
Number of Instances	57	9	42	42	0
Dollar Amount of Instances	\$176,665,427	\$879,465	\$4,459,310	\$11,714,423	Not applicable

In addition to the noncompliance discussed above, we also identified instances where actions were reported for entities that were not subrecipients and transactions reported for actions under the \$30,000 reporting threshold. Further, we identified duplicative transactions overreporting the amount awarded to subrecipients. These additional items are summarized in the table below.

Additional TANF FFATA Report Testing			
	Reported, Not Subrecipients	Reported, Duplicate Transactions	Reported, Under \$30,000 Threshold
Number of Instances	2	238	13
Dollar Amount of Instances	\$1,568,590	\$157,890,460	\$1,032,643

**Repeat Finding:** Montana's Single Audit for the two fiscal years ended June 30, 2021, included a finding (#2021-064) to enhance internal controls over FFATA reporting and submit accurate and complete FFATA reports for the TANF program.

**Effect:** The department is not in compliance with FFATA reporting requirements. A lack of internal controls resulted in required reporting of actions not occurring, inaccurate reporting of subawards, untimely reporting, and duplicate subawards. The purpose of FFATA reporting is to provide transparency to the federal grantor agencies and the public. The errors identified during the audit could mislead a user of the data provided through FFATA reporting.

**Cause:** Overall, FFATA reporting is done centrally for a large number of federal programs and awards. Reportable actions are determined through information entered into the department's central contracting system. However, the information entered into the system was not consistently updated with new information to ensure the correct information was reported. Additionally, the department's contracts for continuing subawards under TANF do not identify obligations by federal award, making it difficult to identify and report accurate obligation actions.



According to the department, they do not have a singular system or process that allows for tracking and compiling some of the specific required data. Implementing tracking mechanisms could be costly and burdensome for the department. This could involve developing a new system and the department currently does not have the resources to take on this type of project. We were unable to estimate the potential cost of developing a new system. The department does not have adequate internal controls for review of the data prior to submission due to the time commitment involved and an overall lack of resources. Per the department, the duplication of transactions appears to be due to each monthly submission being transferred into the federal system as a new action rather than an update to an existing action.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls to ensure timely, accurate, and complete submission of FFATA reports for the TANF program.
- B. Submit FFATA reports for the TANF program in accordance with federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-072:** U.S. Department of Health and Human Services  
ALN #93.268, Immunization Cooperative Agreements (COVID-19)  
Grant #NH23IP922574

**Criteria:** Federal regulation, 2 CFR Part 170, Appendix A(I)(a) and (a)(2)(ii), requires non-federal entities to report to the Federal Funding Accountability and Transparency Act (FFATA) reporting system each action that equals or exceeds \$30,000 in federal funds for a subaward to a non-federal entity. The report should be submitted no later than the end of the month following the month in which the obligation was made.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** During fiscal years 2022 and 2023, the Department of Public Health and Human Services' (PHHS or department) internal controls were not sufficient to ensure all Immunization actions equal to or greater than \$30,000 were accurately, completely, and timely reported to the FFATA reporting system. Actions for Immunization occur when funds are obligated to subrecipients, including counties.

**Questioned Costs:** No questioned costs identified.

**Context:** To complete our audit testing, we started by using data available at [usaspending.gov](https://usaspending.gov) and reviewed all obligations reported during the audit period as compared to obligations made through contracts to subrecipients. The department awarded approximately \$17 million in Immunization funding to 42 subrecipients during the audit period. Based on our audit work, we identified 75 original actions expected to be reported and 68 amendments resulting in additional expected reported actions. However, PHHS reported 70 actions that were not accurate and complete. Of the actions filed, 53 actions were reported untimely and 46 actions reported included incorrect amounts. Additionally, 22 expected actions were not reported. As a result of overreporting and duplication of transactions a much larger dollar amount was reported in the system as compared to the amount actually granted. The number of instances and corresponding dollar amounts are summarized below.

Summary of Immunization FFATA Report Testing					
	Reports Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
Number of Instances	70	22	53	46	0
Dollar Amount of Instances	\$357,420,254	\$3,824,307	\$12,162,572	\$1,418,729	Not applicable

In addition to the noncompliance discussed above, we also identified instances where actions were reported for entities that were not subrecipients and transactions reported for actions under the \$30,000 reporting threshold. Further, we identified duplicative transactions overreporting the amount awarded to subrecipients. These additional items are summarized in the table below.

Additional Immunization FFATA Report Testing			
	Reported, Not subrecipient	Reported, Duplicate Transactions	Reported, Under \$30,000 Threshold
Number of Instances	12	1,366	5
Dollar Amount of Instances	\$4,227,711	\$328,350,757	\$30,926

**Repeat Finding:** The Immunization program has not had previous FFATA findings. However, the department had FFATA findings in the prior audit for other programs. These findings included #2021-064, #2021-065, and #2021-066 in Montana’s Single Audit for the two fiscal years ended June 30, 2021.

**Effect:** The department is not in compliance with FFATA reporting requirements. A lack of internal controls resulted in required reporting of actions not occurring, inaccurate reporting of subawards, untimely reporting, and duplicate subawards. The purpose of FFATA reporting is to provide transparency to the federal grantor agencies and the public. The errors identified during the audit could mislead a user of the data provided through FFATA reporting.

**Cause:** Overall, FFATA reporting is done centrally for a large number of federal programs and awards. Reportable actions are determined through information entered into the department’s central contracting system. However, the information entered into the system was not consistently updated with accurate information to ensure the correct information was reported.

According to the department, they do not have a singular system or process that allows for tracking and compiling some of the specific required data. Implementing tracking mechanisms could be costly and burdensome for the department. This could involve developing a new system

and the department currently does not have the resources to take on this type of project. We were unable to estimate the potential cost of developing a new system. The department does not have adequate internal controls for review of the data prior to submission due to the time commitment involved and an overall lack of resources. Per the department, the duplication of transactions appears to be due to each monthly submission being transferred into the federal system as a new action rather than an update to an existing action.

**Recommendation:** We recommend the Department of Public Health and Human Services:

- A. Enhance internal controls to ensure timely, accurate, and complete submission of FFATA reports for the Immunization program.
- B. Submit FFATA reports for the Immunization program in accordance with federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-073:** U.S. Department of Homeland Security  
 ALN #97.036, Disaster Grants – Public Assistance (Presidentially Declared  
 Disasters) (COVID-19)  
 Grant #4508DRMTP00000001, 4608DRMTP00000001,  
 4623DRMTP00000001, 4655DRMTP00000001

**Criteria:** Federal regulation, 2 CFR 170.330, Appendix A(I)(a) and (a)(2)(ii), requires non-federal entities to report to the Federal Funding Accountability and Transparency Act (FFATA) reporting system each action that equals or exceeds \$30,000 in federal funds for a subaward to a non-federal entity. The report should be submitted no later than the end of the month following the month in which the obligation was made.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Department of Military Affairs (department) awarded over \$25 million to 32 subrecipients during state fiscal years 2022 and 2023 related to four disasters. We reviewed all the obligations made to each of these entities over the audit period. We noted the department did not have controls in place to prevent or detect various errors, omissions, or duplications in submitted FFATA reports. We identified six types of errors, which include:

- The wrong amount was reported.
- A required obligation was not reported.
- The reporting was late.
- The wrong entity was reported.
- The amount reported was not supported by department records.
- The same obligation was reported more than once.

**Questioned Costs:** No questioned costs identified.

**Context:** The department was initially unable to provide copies of the FFATA reports due to the federal reporting system only allowing the employee who submitted the report to access the reports. As that employee is no longer with the department, the department had to merge accounts to get access. We attempted to get access to the reports directly from the federal reporting system, however instructions provided would have registered our office as the principle for the department. As an alternative, we started by using data available at

usaspending.gov and reviewed all obligations related to four presidentially declared disasters during the audit period. This totaled 260 obligations, of which 155 were individually over \$30,000. Additional audit procedures were performed after the department successfully merged accounts and actual reports were available. Examples of the noncompliance with federal regulations over FFATA reporting noted include:

- 62 instances where the amount reported was the full grant amount rather than the amount of the federal share.
- 9 instances where an obligation over \$30,000 was made, but not reported.
- 54 instances where the reporting of the obligation over \$30,000 occurred later than the month following the month in which the obligation was made.
- 1 instance where the department keyed in the wrong dollar amount.
- 3 instances where the department reported the obligation for the wrong entity.
- 13 instances where department records did not support the amount reported.
- 57 instances where the department reported the same obligation over \$30,000 more than once.

While the department awarded around \$25 million to subrecipients, errors bulleted above including reporting the full grant amount and duplicate reporting resulted in errors summarized in the table below in excess of \$25 million.

	Transactions Tested	Subaward Not reported	Obligation Not Reported Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
# of items	260	9	54	133	0
Dollar value	\$86,496,609	\$4,415,452	\$19,985,219	\$55,113,634	\$0

**Repeat Finding:** This was first reported as finding 2021-014 in the Montana Single Audit report for the two fiscal years ended June 30, 2021.

**Effect:** A lack of documented internal controls led to the late submission of required FFATA reports and noncompliance with federal regulations. Additionally, a lack of documented internal controls resulted in inaccurate reporting of subawards, including incorrect amounts, omissions, and duplications.

**Cause:** The department experienced turnover in the position that completed the FFATA reporting. Adequate internal controls were not in place to allow the employees taking over the completion of the FFATA reporting to prepare the reports accurately and completely. Three employees completed reporting resulting in reporting three different ways and duplication of reported data. Additionally, staff could pull up a previously submitted report as a starting point. While unable to confirm, it appears this resulted in a second submission of the same report, rather than a new submission with updates. This further duplicated reporting. Lastly, for one of the disasters, the match rate changed during the disaster period of performance. This resulted in

reporting the original amount, the match amount, and in some cases the original and match amounts combined causing additional duplication of reported amounts.

Procedures to ensure the report's accuracy included running a query to obtain the data needed to determine when reporting was necessary. However, the department did not retain the query to support the information reported. The department also implemented a reminder for timely reporting; however, it was only in place for the last month of the audit period.

**Recommendation:** We recommend the Department of Military Affairs:

- A. Document and implement internal controls to ensure the timely and accurate submission of Federal Funding Accountability and Transparency Act reports.
- B. Submit Federal Funding Accountability and Transparency Act reports in accordance with federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-074:** U.S. Department of Homeland Security  
ALN #97.036, Disaster Grants – Public Assistance (Presidentially Declared  
Disasters) (COVID-19)  
Grant #4508DRMTP00000001, 4608DRMTP00000001,  
4623DRMTP00000001, 4655DRMTP00000001

**Criteria:** Federal regulation, 2 CFR 200.332(a)(1), lays out the fourteen required elements to communicate to subrecipients to properly identify the federal award.

Federal regulation, 2 CFR 200.332(d), requires the Department of Military Affairs (department) to monitor the subrecipient's activities, including reviewing reports and resolving Single Audit findings related to the subaward.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The department communicated the Agency Listing Number (ALN) for the disaster grant to some, but not all, of the subrecipients through an award letter. Additionally, the department did not review subrecipient audit reports as required by federal regulations. The department does not have adequate controls in place to ensure that either of these two things occurred.

**Questioned Costs:** No questioned costs identified.

**Context:** The department subgrants funds to cities, counties, and non-profit entities. During the audit, we reviewed expenditures related to four disasters, awarded to 32 entities. We judgmentally sampled payments made to 14 of these entities and found eight were not provided the ALN. This sample was not statistically valid. We did not complete a sample related to subrecipient monitoring as the department does not have procedures in place to review audit reports for any entity.

**Effect:** Subrecipients may not be fully aware or adhere to all relevant federal regulations related to the grant if they do not receive the correct ALN, increasing the risk of non-compliance. Furthermore, subrecipients lack essential data to accurately report their federal awards on their Schedule of Expenditures of Federal Awards. Additionally, the department's failure to review audit reports from subrecipients has led to a lack of awareness of findings related to department grants or other federal grants with similar requirements. Consequently, the department has not issued management letters or requested corrective action plans as required. This deficiency has



left the department without the necessary information to implement proper monitoring procedures for federal compliance at the subrecipient level, which increases the risk of misallocation of federal funds by subrecipients.

**Cause:** During the audit period, department turnover resulted in the omission of the ALN in some award letters.

The department and subrecipient meet prior to a grant award to determine if there are any risks at the entity applying for a grant. The department was unaware of the federal requirement to review audit reports as part of its monitoring procedures.

**Recommendation:** We recommend the Department of Military Affairs:

- A. Implement controls to ensure the ALN is communicated to subrecipients when awarding grants and subrecipient audit reports are obtained and reviewed.
- B. Communicate the ALN to all subrecipients awarded disaster funds.
- C. Obtain and review audit reports of entities receiving grants.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-075:** U.S. Department of Homeland Security  
 ALN #97.042 Emergency Management Performance Grants (EMPG)  
 Grant #EMD-2020-EP-00003  
 ALN #97.047 Pre-Disaster Mitigation (PDM)  
 Grant #EMD-2017-PC-0003

**Criteria:** Federal regulation, 2 CFR 200.403(g), states costs must be adequately documented in order to be allowable under Federal awards.

**Condition:** The Department of Military Affairs' (department's) internal controls were insufficient to obtain and maintain adequate documentation to determine the allowability of sub-recipient expenditures reimbursed as part of its Disaster & Emergency Services (DES) grant programs. We noted the following errors:

- Emergency Management Performance Grants (EMPG)
  - Salaries and benefits were approved without adequate documentation to indicate which employee's time was being reimbursed.
- Pre-Disaster Mitigation (PDM)
  - Documentation was missing from the Federal Emergency Management Assistance (FEMA) for the approval of the purchase of unimproved property and first responder training.
  - Volunteer rates were used rather than actual employee salary costs.
  - The use of equipment without documentation of what the equipment was used for or the basis for the rate charged.

**Questioned Costs:** For the errors outlined above, we identified the following questioned costs:

- 97.042 Emergency Management Performance Grants (EMPG)
  - Identified Questioned Costs: \$32,702.15
- 97.047 Pre-Disaster Mitigation (PDM)
  - Identified Questioned Costs: \$58,056.12

**Context:** We completed a sample over four types of grants. The chart below indicates the grant, population, number tested, number of errors, and type of sample for the grant types where we found questioned costs greater than \$25,000. The sample was not statistically valid.

Program	Total Population	Number Tested	Number of Errors
EMPG	372	8	1
PDM	19	4	1

**Repeat Finding:** This is a repeat finding, initially reported as 2017-011 in the Single Audit report for the two fiscal years ended June 30, 2017. It was reported as finding 2019-028 in the Single Audit report for the two fiscal years ended June 30, 2019. It was reported as finding 2021-015 in the Single Audit report for the two fiscal years ended June 30, 2021, but was limited to EMPG grants only. While the current audit identified actual or projected questioned costs in excess of \$25,000, the number of instances we found was considerably less than found in prior audits. Given neither the EMPG nor PDM programs are major federal programs, our reporting this Single Audit is only driven by the questioned costs outlined above, and we have not made internal controls an element of the finding in the current audit.

**Effect:** Without sufficient internal controls to obtain and maintain adequate documentation of subrecipient expenditures, the department may not comply with federal regulations and could reimburse unallowable expenditures. As noted above, we identified questioned costs in excess of \$25,000 for two grant programs.

**Cause:** The department required documentation from the subrecipients to support the expenditures, but internal controls were not adequate to ensure those documents contained adequate details required to make allowability determinations. Additionally, the department indicated that the federal government approved certain costs, but the documentation was not obtained or retained to demonstrate that approval. The questioned costs for EMPG were for the time period prior to new procedures that were put in place to address a prior audit recommendation.

**Recommendation:** We recommend the Department of Military Affairs comply with federal requirements by ensuring subrecipient reimbursements are supported and allowable under the grant awards at the time the reimbursement is made.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-076:** Various Federal Agencies\*  
ALN #Various\*, Research & Development Cluster (COVID-19)  
Grant #Not Applicable

**Criteria:** Federal regulation, 2 CFR 200.302(b)(4), requires the non-federal entity’s financial management system to provide effective control over and accountability for all funds, property, and other assets. The non-federal entity must also adequately safeguard all assets and assure that they are used solely for authorized purposes.

Federal regulation, 2 CFR 200.313(b), requires a state to use, manage, and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.

Section 335(XIV), Montana Operations Manual (MOM policy) requires agencies to perform a complete physical inventory of all capital assets no less than every two years.

MOM policy 335(V)(A)(3) requires agencies to identify all major equipment in a manner that promotes easy identification and requires property tags to be placed in plain sight on the equipment. While state policy does allow some discretion based on the physical nature of some equipment for situations where property tags may not be feasible, it does require that “whenever possible, the tag number will still be identified on the item by some means such as etching, decal, indelible ink, etc.”.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Internal controls were not sufficient to ensure Montana State University – Bozeman (MSU Bozeman, university) performed a complete physical inventory of equipment every two-year period or that equipment purchased with federal Research and Development funds were tagged as required by federal regulations and state policy during fiscal years 2022 and 2023.

**Questioned Costs:** No questioned costs identified.

**Context:** MSU Bozeman routinely purchases capital assets with federal Research and Development grant funds. During fiscal years 2022 and 2023, MSU Bozeman spent approximately \$12.74 million on these purchases. The assets purchased with these funds are added to a central inventory listing at the university. Our testing found MSU Bozeman only inventoried 1,055 of their 4,551 assets during the audit period.

We examined equipment purchases at the university to determine whether the assets were tagged and easily identifiable, as required by state policy. We selected 18 high dollar items from the asset listing. We identified four items that were untagged. The cost of these items ranged from \$584,579 to \$1,344,023. All of these items were scientific equipment, for example a mass spectrometer. For each of the untagged items identified, there were no property tags or other permanent identification affixed to the assets that corresponded to university property records. Additionally, the asset listing does not consistently have other identifiable information, such as serial numbers, for the items. As such, the assets were not easily identifiable as required by state policy, and we were unable to confirm the assets we observed were those purchased by the federal grant funds. For all items, we believe it was feasible to tag or label the assets.

**Effect:** By not performing physical inventories or tagging capital assets, MSU Bozeman is not in compliance with federal requirements to use and manage equipment acquired under federal awards in accordance with state laws and policies.

**Cause:** MSU Bozeman personnel cite staff turnover as the reason physical inventories could not be completed. The university attempted alternative procedures, but without dedicated staff overseeing the process, complete physical inventories and asset tagging could not be performed. While we agree staffing contributed to the noncompliance, even if there were adequate staff, the untagged items would make it difficult to complete a full inventory.

**Recommendation:** We recommend Montana State University – Bozeman:

- A. Enhance internal controls to ensure compliance with the federal and state requirements governing equipment for the Research and Development Program,
- B. Perform a complete physical inventory of capital assets at least every two years, and
- C. Tag all capital assets when feasible.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

\* - See Appendix A

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-077:** Various Federal Agencies\*  
ALN #Various\*, Research & Development Cluster  
Grant #Not Applicable

**Criteria:** Federal regulation, 2 CFR 200.302(b)(4), requires the non-federal entity’s financial management system to provide effective control over and accountability for all funds, property, and other assets. The non-federal entity must also adequately safeguard all assets and assure that they are used solely for authorized purposes.

Federal regulation, 2 CFR 200.313(b), requires a state to use, manage, and dispose of equipment acquired under a federal award by the state in accordance with state laws and procedures.

Section 335(XIV), Montana Operations Manual (MOM policy) requires agencies to perform a complete physical inventory of all capital assets no less than every two years.

MOM policy 335(V)(A)(3) requires agencies to identify all major equipment in a manner that promotes easy identification and requires property tags to be placed in plain sight on the equipment. While state policy does allow some discretion based on the physical nature of some equipment for situations where property tags may not be feasible, it does require that “whenever possible, the tag number will still be identified on the item by some means such as etching, decal, indelible ink, etc.”.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** Internal controls were not sufficient to ensure the University of Montana – Missoula (UM Missoula, university) performed a complete physical inventory of equipment every two-year period or that equipment purchased with federal Research and Development funds were tagged as required by federal regulations and state policy during fiscal years 2022 and 2023. Additionally, UM Missoula could not provide information or documentation on the disposition of assets purchased with federal Research and Development funds once they were no longer needed.

**Questioned Costs:** No questioned costs identified.

**Context:** UM Missoula routinely purchases capital assets with federal Research and Development grant funds. During fiscal years 2022 and 2023, UM Missoula spent approximately \$4.88 million on these purchases. The assets purchased with these funds are added to a central

listing at the university. Our testing found UM Missoula only completed a physical inventory at 91 of the 200 locations with assets during the audit period and at an additional 27 locations after the audit period ended.

We examined equipment purchases at the university to determine whether the assets were tagged and easily identifiable, as required by state policy. We sampled 8 of the 106 equipment purchases over the capitalization threshold of \$5,000 during the audit period. This was not a statistically valid sample. We identified four items that were untagged. The cost of these items ranged from \$13,678 to \$154,470. These items were primarily scientific equipment, for example, a chromatography system. For each of the untagged items identified, there were no property tags or other permanent identification affixed to the assets that corresponded to university property records. As such, the assets were not easily identifiable as required by state policy, and we were unable to confirm the assets we observed were those purchased by the federal grant funds. For all items, we believe it was feasible to tag or label the assets.

UM Missoula also logged 32 assets acquired with federal funds as no longer needed and ready for disposal during the audit period. We selected a sample of four of these items to determine whether they had been disposed of appropriately in accordance with university policy and the terms and conditions of each grant award. While these items were fully depreciated on the accounting records, the assets were initially valued at \$69,531 in total. This was not a statistically valid sample. University staff could not provide documentation related to the disposal or what the final disposition of the equipment was for any of the items selected. Additionally, attempts to locate the items during testing were unsuccessful. As a result, we cannot determine whether the university truly disposed of the assets, and followed federal regulations while doing so, or if the assets are still in service at an unknown location.

**Repeat Finding:** Montana's Single Audit report for the two fiscal years ended June 30, 2021, included a recommendation (#2021-034) to UM Missoula regarding tagging equipment.

**Effect:** By not performing physical inventories or tagging capital assets, UM Missoula is not in compliance with federal requirements to use and manage equipment acquired under federal awards in accordance with state laws and policies. Additionally, the university is at risk of not following federal regulations related to asset disposal. Collectively, these issues could result in UM Missoula failing in their responsibilities as a steward of public resources.

**Cause:** UM Missoula personnel cite staff turnover as the reason physical inventories could not be completed. The university attempted alternative procedures, but without dedicated staff overseeing the process, complete physical inventories and asset tagging could not be performed. UM Missoula staff also attributed the disposal issue to employee turnover. They had a staff member dedicated to performing and accounting for asset disposals. When that employee left the position, other employees stepped in, but asset disposals were not adequately tracked and accounted for without a staff member dedicated to overseeing the process.

**Recommendation:** We recommend the University of Montana – Missoula:

- A. Enhance internal controls to ensure compliance with the federal and state requirements governing equipment for the Research and Development Program,
- B. Perform a complete physical inventory of capital assets at least every two years, and
- C. Tag all capital assets when feasible.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

\* - See Appendix A



**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-078:** Various Federal Agencies\*  
 ALN #Various\*, Research & Development Cluster  
 Grant #Not Applicable

**Criteria:** Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** We observed multiple internal control deficiencies in the University of Montana – Missoula’s (UM Missoula, university) administration of the Research & Development program (R&D).

**Questioned Costs:** We identified \$23,865 in questioned costs. Of this amount, \$23,718 is from ALN #47.083 and \$147 is from ALN #93.970.

**Context:** The university manages R&D grant awards in three stages:

- **Pre-Award:** A principal investigator (PI) identifies a funding opportunity and works with the Office of Sponsored Programs (OSP) to begin recording details of the proposed funding, including salaries, budget, and subawards.
- **Award:** OSP staff record detailed award information and begin regular reviews of financial activity. These reviews look for whether:
  - Expenses charged to the award are for allowed costs and were incurred during the award period,
  - Activities performed under the award are consistent with the award’s purpose, and
  - Subrecipients also follow award terms and conditions.

An accurate record of award terms and conditions and regular reviews throughout the award period are important steps to ensuring compliance with federal regulations.

- **Post-Award:** When a federal award comes to an end, OSP staff use a checklist to complete close-out procedures, such as:
  - Reconciling expenses and revenues,
  - Verifying costs and activities were allowed, or changes were approved,
  - Performing final billing, and
  - Ensuring the file is complete and ready for archiving.

During fiscal years 2022 and 2023, UM Missoula managed a total of 1,590 individual grant awards. This included receiving and opening 634 new grant awards, closing 524 grant awards,

and both opening and closing 76 of those awards. We completed three samples over the university's grant activity, including:

- 24 of the 236 subawards made,
- 40 of the 1,590 grant awards managed, and
- 30 out of 359,678 grant expenses transactions incurred.

These samples were not statistically valid. The table below summarizes the items we identified in our testing, which indicate a need to enhance internal controls over managing the R&D program:

Award Stage	Internal Control Exceptions
Pre-Award	<ul style="list-style-type: none"> <li>• One missing new grant set-up form.</li> <li>• One unsigned new grant set-up form.</li> </ul>
Award	<ul style="list-style-type: none"> <li>• One subaward invoice approved for payment by someone other than the assigned PI or key personnel.</li> <li>• One award invoice (not related to a subaward) approved for payment by someone other than the assigned PI or key personnel.</li> <li>• One unallowed expense of \$23,718 paid on a subaward. The expense was initially categorized as a capital expenditure/facility service. UM staff later determined it was an equipment purchase during the review. Neither capital expenditures/facility services nor equipment was a budgeted line item in the award, and the amount was paid while a budget amendment was prepared. At the time of our audit work in January 2024, the budget amendment was not yet approved.</li> <li>• One paid grant expense included a \$147 course fee. The award budget allowed scholarship payments but not fees.</li> <li>• Four quarterly grant expense reviews were not performed or not performed timely.</li> </ul>
Post-Award	<ul style="list-style-type: none"> <li>• Five incomplete grant close-out checklists.</li> </ul>

In addition to the items in the table above, OSP staff could not locate two grant files during testing, and as such, we were unable to test the grants.

Collectively, these items aggregate to a significant deficiency in the university's internal control. While we identified some instances of noncompliance associated with these items, they did not rise to material noncompliance.

**Effect:** Without effective internal controls to ensure the UM – Missoula manages federal awards according to federal statutes and regulations, the university is not in compliance with the federal requirement to maintain effective internal control over federal awards. Additionally, without effective internal controls over managing federal awards, the university is at risk of additional non-compliance, such as charging unallowed costs or inadequate record retention. This could result in repayment of unallowed amounts, suspension or termination of federal awards, or heightened monitoring by federal awarding agencies.

**Cause:** University staff attributed the issues to the challenges of managing an increasing workload during transition periods associated with employee turnover or simply human error. Total research expenditures have grown from \$166,647,194 to \$231,722,301 between the 2016-17 and 2022-23 audit periods – an increase of 39%. The university expects research activity to continue to grow in coming years.

**Recommendation:** We recommend the University of Montana – Missoula follow established internal controls to provide reasonable assurance the university is managing federal Research and Development Program awards in compliance with all applicable federal statutes and regulations.

**Views of Responsible Officials:** The university concurs with this recommendation. For additional information regarding the university's planned corrective action see the Corrective Action Plan starting on page D-1.

\* - See Appendix A

**State of Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Two Fiscal Years Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2023-079:** U.S. Department of Agriculture  
ALN #10.551 and 10.561, SNAP Cluster  
Grant #Various

**Criteria:** Federal regulation, 7 CFR 274.8(b)(3), requires the state to maintain adequate security over, and documentation for EBT cards, to prevent their theft, loss, or damage.

Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:** The Department of Public Health and Human Services (department) does not have a process for obtaining and reviewing the System and Organization Controls (SOC) report for the subcontractor responsible for Electronic Benefits Transactions (EBT) card storage and security. It is the department's responsibility to review the SOC report to obtain assurance over the security and documentation of SNAP EBT cards.

**Questioned Costs:** No questioned costs identified.

**Context:** The department contracts with an EBT service provider for its SNAP program. The contractor subcontracts out the responsibility of EBT card security and processing. The subcontractor receives a SOC examination that provides assurance over control objectives related to EBT card security and card processing.

When requested during the audit, the department obtained the correct SOC report for 2023. While the SOC report did not contain any relevant control deviations, the department had not requested or reviewed the report prior to the audit making the request. However, for 2022, the SOC report did not contain control objectives related to EBT card security and card processing. The department had not reviewed the SOC reports in enough detail to realize they had not received the necessary assurances. The department tried to obtain the correct SOC report from the contractor but was unable to by the completion of this report. Without the proper SOC report, we were unable to test compliance with requirements in federal regulation for 2022, resulting in a scope limitation.

**Effect:** By not obtaining and reviewing the SOC report, the department is unaware of issues affecting the EBT card security and card processing services it receives from the subcontractor. Without assurance from the subcontractor over EBT card security and card processing services, the department does not have controls in place to meet its responsibility under federal regulations.

**Cause:** The department did not obtain SOC reports from the subcontractor prior to the audit period. For the SOC reports obtained, the department did not review them in enough detail to ensure they included assurances over EBT card security and documentation, which the department is responsible for. The department communicated multiple times with the contractor to try to get the correct SOC report for 2022, but was unable to obtain it by the completion of this report.

**Recommendation:**

We recommend the Department of Public Health and Human Services implement internal controls to obtain and review the SOC report for the subcontractor responsible for EBT card security and card processing as required by federal regulations.

**Views of Responsible Officials:** The department concurs with this recommendation. For additional information regarding the department's planned corrective action see the Corrective Action Plan starting on page D-1.



# Appendix A

## Research and Development Cluster Activity by ALN # and Location

Federal Agency and ALN Information		Location	
ALN #	Title	UM - Missoula	MSU - Bozeman
<b>U.S. Department of Agriculture</b>			
10.001	Agricultural Research Basic and Applied Research	X	X
10.025	Plant and Animal Disease, Pest Control, and Animal Care	X	X
10.028	Wildlife Services	X	
10.069	Conservation Reserve Program		X
10.170	Specialty Crop Block Grant Program - Farm Bill		X
10.173	Sheep Production and Marketing Grant Program		X
10.174	Acer Access Development Program		X
10.200	Grants for Agricultural Research, Special Research Grants		X
10.202	Cooperative Forestry Research	X	
10.215	Sustainable Agriculture Research and Education		X
10.217	Higher Education - Institution Challenge Grants Program		X
10.227	1994 Institutions Research Program	X	X
10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations		X
10.304	Homeland Security Agricultural		X
10.307	Organic Agriculture Research and Extension Initiative		X
10.309	Specialty Crop Research Initiative		X
10.310	Agriculture and Food Research Initiative (AFRI)	X	X
10.320	Sun Grant Program		X
10.329	Crop Protection and Pest Management Competitive Grants Program		X
10.330	Alfalfa and Forage Research Program		X
10.331	Gus Schumacher Nutrition Incentive Program		X
10.333	Urban, Indoor, and Other Emerging Agricultural Production Research, Education, and Extension Initiative	X	
10.350	Technical Assistance to Cooperatives		X
10.351	Rural Business Development Grant		X
10.525	Farm And Ranch Stress Assistance Network Competitive Grants Program		X
10.527	New Beginning for Tribal Students		X
10.652	Forestry Research	X	X
10.664	Cooperative Forestry Assistance	X	X
10.665	Schools and Roads - Grants to States		X
10.680	Forest Health Protection	X	X
10.682	National Forest Foundation		X
10.684	International Forestry Programs	X	
10.699	Partnership Agreements	X	
10.707	Research Joint Venture And Cost Reimbursable Agreements	X	X
10.714	Infrastructure Investment and Job Act Joint Fire Science Program (Research & Development)	X	
10.717	Infrastructure Investment and Jobs Act Restoration/Revegetation	X	
10.902	Soil and Water Conservation	X	X
10.912	Environmental Quality Incentives Program		X
10.RD	Miscellaneous Research and Development	X	X

<b>U.S. Department of Commerce</b>			
11.307	Economic Adjustment Assistance	X	
11.431	Climate and Atmospheric Research	X	X
11.438	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	X	
11.440	Environmental Sciences, Applications, Data, and Education		X
11.459	Weather And Air Quality Research		X
11.609	Measurement And Engineering Research And Standards		X
11.RD	Miscellaneous Research and Development		X
<b>U.S. Department of Defense</b>			
12.005	Conservation And Rehabilitation Of Natural Resources On Military Installations	X	
12.114	Collaborative Research and Development		X
12.300	Basic and Applied Scientific Research	X	X
12.420	Military Medical Research and Development	X	X
12.431	Basic Scientific Research	X	X
12.630	Basic, Applied, And Advanced Research In Science And Engineering		X
12.632	Legacy Resource Management Program	X	
12.800	Air Force Defense Research Sciences Program	X	X
12.910	Research and Technology Development		X
12.RD	Miscellaneous Research and Development	X	X
<b>U.S. Department of the Interior</b>			
15.224	Cultural and Paleontological Resources Management	X	X
15.230	Invasive and Noxious Plant Management	X	X
15.231	Fish, Wildlife and Plant Conservation Resource Management	X	X
15.232	Joint Fire Science Program	X	X
15.236	Environmental Quality and Protection	X	
15.244	Aquatics Resources Management	X	
15.245	Plant Conservation and Restoration Management	X	
15.247	Wildlife Resource Management	X	X
15.608	Fish and Wildlife Management Assistance	X	X
15.611	Wildlife Restoration and Basic Hunter Education	X	
15.628	Multistate Conservation Grant	X	
15.634	State Wildlife Grants	X	X
15.637	Migratory Bird Joint Ventures	X	
15.650	Research Grants (Generic)		X
15.654	National Wildlife Refuge System Enhancements		X
15.655	Migratory Bird Monitoring, Assessment and Conservation	X	X
15.657	Endangered Species Conservation - Recovery Implementation Funds	X	X
15.660	Endangered Species - Candidate Conservation Action Funds		X
15.662	Great Lakes Restoration		X
15.664	Fish And Wildlife Coordination And Assistance	X	X
15.669	Cooperative Landscape Conservation	X	
15.670	Adaptive Science	X	X
15.676	Youth Engagement, Education, and Employment		X
15.678	Cooperative Ecosystem Studies Units	X	X



15.684	White-nose Syndrome National Response Implementation	X	
15.805	Assistance to State Water Resources Research Institutes		X
15.808	U. S. Geological Survey Research and Data Collection	X	X
15.810	National Cooperative Geologic Mapping		X
15.812	Cooperative Research Units	X	X
15.815	National Land Remote Sensing Education Outreach and Research		X
15.820	National and Regional Climate Adaption Science Centers	X	
15.922	Native American Graves Protection and Repatriation Act	X	
15.945	Cooperative Research and Training Programs - Resources of the National Park System	X	X
15.RD	Miscellaneous Research and Development	X	X
<b>U.S. Department of Justice</b>			
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants		X
16.RD	Miscellaneous Research and Development	X	
<b>U.S. Department of Transportation</b>			
20.109	Air Transportation Centers of Excellence		X
20.200	Highway Research and Development Program		X
20.205	Highway Planning and Construction	X	X
20.215	Highway Training And Education		X
20.600	State and Community Highway Safety		X
20.616	National Priority Safety Programs		X
20.701	University Transportation Centers Program		X
<b>U.S. Federal Communications Commission</b>			
32.006	COVID-19 Telehealth Program	X	
<b>U.S. National Aeronautics and Space Administration</b>			
43.001	Science	X	X
43.008	Office of Stem Engagement (OSTEM)		X
43.012	Space Technology		X
43.RD	Miscellaneous Research and Development	X	
<b>U.S. National Endowment for the Humanities</b>			
45.149	Promotion of the Humanities Division of Preservation and Access	X	
45.312	National Leadership Grants		X
45.313	Laura Bush 21st Century Librarian Program		X
<b>U.S. National Science Foundation</b>			
47.041	Engineering	X	X
47.049	Mathematical and Physical Sciences	X	X
47.050	Geosciences	X	X
47.070	Computer and Information Science and Engineering	X	X
47.074	Biological Sciences	X	X
47.075	Social, Behavioral, and Economic Sciences	X	X
47.076	Education and Human Resources	X	X
47.078	Polar Program	X	X
47.079	Office of International Science and Engineering	X	
47.083	Integrative Activities	X	X
47.084	NSF Technology, Innovation, and Partnerships		X

<b>U.S. Department of Small Business Administration</b>			
59.058	Federal and State Technology Partnership Program		X
<b>U.S. Department of Veterans Affairs</b>			
64.054	Research and Development		X
<b>U.S. Environmental Protection Agency</b>			
66.202	Congressionally Mandated Projects	X	
66.454	Water Quality Management Planning	X	
66.461	Regional Wetland Program Development Grants	X	
66.708	Pollution Prevention Grants Program		X
66.716	Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies		X
66.808	Solid Waste Management Assistance Grants		X
66.962	Columbia River Basin Restoration (CRBR) Program	X	
<b>U.S. Department of Energy</b>			
81.049	Office of Science Financial Assistance Program	X	X
81.086	Conservation Research And Development		X
81.087	Renewable Energy Research and Development		X
81.089	Fossil Energy Research and Development		X
81.121	Nuclear Energy Research, Development and Demonstration	X	
81.RD	Miscellaneous Research and Development	X	X
<b>U.S. Department of Education</b>			
84.184	School Safety National Activities		X
84.217	TRIO McNair Post-Baccalaureate Achievement		X
84.305	Education Research, Development and Dissemination	X	
84.336	Teacher Quality Partnership Grants		X
84.356	Alaska Native Educational Programs	X	
84.365	English Language Acquisition State Grants	X	
<b>U.S. Department of Health and Human Services</b>			
93.061	Innovations in Applied Public Health Research		X
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program		X
93.103	Food And Drug Administration Research	X	
93.107	Area Health Education Centers		X
93.110	Maternal and Child Health Federal Consolidated Programs	X	
93.113	Environmental Health	X	X
93.121	Oral Diseases And Disorders Research	X	
93.172	Human Genome Research	X	
93.173	Research Related to Deafness and Communication Disorders	X	
93.233	National Center On Sleep Disorders Research	X	X
93.242	Mental Health Research Grants	X	X
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	X	
93.247	Advanced Nursing Education Workforce Grant Program		X
93.262	Occupational Safety and Health Program		X
93.273	Alcohol Research Programs		X
93.279	Drug Abuse and Addiction Research Programs		X

93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health		X
93.301	Small Rural Hospital Improvement Grant Program		X
93.307	Minority Health and Health Disparities Research		X
93.310	Trans-NIH Research Support	X	X
93.317	Emerging Infections Programs	X	
93.350	National Center for Advancing Translational Sciences	X	X
93.351	Research Infrastructure Programs	X	
93.359	Nurse Education, Practice Quality and Retention Grants		X
93.361	Nursing Research		X
93.393	Cancer Cause and Prevention Research	X	X
93.397	Cancer Centers Support Grants	X	
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	X	
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	X	
93.654	Indian Health Service Behavioral Health Programs	X	
93.761	Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	X	
93.846	Arthritis, Musculoskeletal and Skin Diseases Research		X
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	X	X
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	X	X
93.855	Allergy and Infectious Diseases Research	X	X
93.859	Biomedical Research and Research Training	X	X
93.865	Child Health and Human Development Extramural Research	X	X
93.866	Aging Research	X	X
93.867	Vision Research		X
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	X	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	X	
93.970	Health Professions Recruitment Program for Indians	X	
93.RD	Miscellaneous Research and Development	X	
<b>U.S. Social Security Administration</b>			
96.007	Social Security Research and Demonstration		X
<b>U.S. Department of Homeland Security</b>			
97.RD	Miscellaneous Research and Development		X



# CORRECTIVE ACTION PLAN

## TABLE OF CONTENTS

Transmittal Letter for Corrective Action Plan.....	D-1
Corrective Action Plan.....	D-3



OFFICE OF THE GOVERNOR  
BUDGET AND PROGRAM PLANNING  
STATE OF MONTANA

GREG GIANFORTE  
GOVERNOR



CAPITOL BUILDING - P.O. BOX 200802  
HELENA, MONTANA 59620-0802

August 14, 2024

Mr. Angus Maciver, Legislative Auditor  
Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

Re: Corrective Action Plan  
Montana Single Audit Report #22-02  
For the Two Fiscal Years Ended June 30, 2023

RECEIVED  
AUG 14 2024  
LEGISLATIVE AUDIT DIV.

Dear Mr. Maciver:

In accordance with Uniform Guidance requirements, the state of Montana is responsible for follow-up and corrective action on all audit findings identified in the Montana Single Audit Report. As part of this responsibility, the state is required to prepare a corrective action plan to address each financial or federal audit finding included in this report. The Office of Budget and Program Planning compiles this information on behalf of the state and monitors the implementation status of these audit findings.

Attached is the State of Montana's Corrective Action Plan for the two fiscal years ended June 30, 2023. This summary document, which was prepared by each agency or university with a finding in this report, provides the name of the contact person responsible for the corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

*/s/ Ryan Osmundson*

Ryan Osmundson  
Budget Director

cc: Sonia Powell, Single Audit Coordinator





**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-1	Various	<b>Untimely Financial Reporting - DOA</b> - The Montana Department of Administration, State Financial Services Division is finding ways to streamline the process to prepare the Annual Comprehensive Financial Report (ACFR). As noted by the auditors, the department has secured a list of contractors that can provide accounting services to the state. It is also evaluating time-consuming tasks to determine where technology can further streamline ACFR processes. As it identifies areas of improvement, it will continue to evaluate resource needs and work with the Montana Legislature and Governor, as appropriate.	Cheryl Grey, SFSD Administrator, Montana Department of Administration	6/30/2025
2023-2	Various	<b>Actuarial Soundness of the Public Employees Retirement System (PERS)</b> - The Montana Public Employees Retirement Board (PERB) worked with the Montana legislature to ensure compliant amortizations. The PERB's 2023 annual audit did not repeat the finding.	Dore Schwinden, Executive Director, Montana Public Employees Retirement Board	Completed
2023-3	Various	<b>Misstated Lease Receivables and Deferred Inflows of Resources – DNRC</b> - The Montana Department of Natural Resources and Conservation will record the lease receivables and deferred inflows of resources according to the actual payment terms, rather than on an annual basis, to accurately record interest and principle of the present value calculations. The department has modified the internal controls by implementing separation of duties for the staff members doing the building of the spreadsheet, entering and approving.	Meaghan Bjerke, Chief Financial Officer, Montana Department of Natural Resources and Conservation	Completed
2023-4	Various	<b>Inadequate Support For Unemployment Insurance Fund Accounting Records – DLI</b> - The Montana Department of Labor and Industry has restructured to ensure proper resources and training for complex accounting processes and entries. It has also revised record retention practices for the average annual wage calculation. Additionally, it has conducted a review of all unemployment insurance fiscal processes, including a reconciliation of unemployment insurance accounts. During 2023, the department began configuring a new information system to improve accountability over claim data.	Jay Phillips, Administrator, Montana Department of Labor and Industry	Completed

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-5	Various	<b>Inadequate Support For Room and Board Rate Calculations – COR</b> - The Montana Department of Corrections has provided training to staff to ensure that appropriate documentation is attached to all transactions moving forward. Montana House Bill 174-2023 passed, setting a flat reimbursement rate for county detention centers beginning in fiscal year 2024. The change will eliminate the current variable rate structure and reduce the risk of an unsupported rate being utilized for payment.	Nathalie Smitham, Chief Financial Officer, Montana Department of Corrections	Completed
2023-6	Various	<b>Inadequate Internal Control Over Wire Deposits - DOR</b> - The Montana Department of Revenue has taken steps to ensure it records wires timely by working with the Montana Department of Administration to improve business processes, clarifying policy related to wire processing, and modifying the SABHRS system to track the actual dates the agency received the wires.	Kristin Gutowsky, Bureau Chief, Montana Department of Revenue	Completed
2023-7	Various	<b>Statewide Fiscal Year End Closing Misstatements - DOA</b> - The Montana Department of Administration, Statewide Accounting Bureau (SAB) enhanced internal controls in the areas identified. For pensions, SAB developed analytical procedures to be performed before the fiscal year end closing process. For the cash closing entries, SAB added an item to the fiscal year end checklist to ensure a final review. While the Governmental Accounting Standards Board (GASB) Statement 87 implementation has already been completed, SAB added an item to its GASB-pronouncement implementation checklist to assess department level reporting for compliance with any new policies.	Cheryl Grey, SFSD Administrator, Montana Department of Administration	Completed
2023-8	Various	<b>Service Organization Controls Reports Not Reviewed - DOA</b> - The Montana Department of Administration established a service organization controls report review process.	Michelle Snowberger, Deputy State CIO, Montana Department of Administration	Completed
2023-9	Various	<b>Inadequate Review of Financial Statements and Note Disclosures - MSU</b> - Montana State University enhanced internal controls for the preparation of the financial statements and related notes by providing staff training, evaluating staff duties, reviewing procedures, and strengthening the review process.	Aaron Mitchell, Associate Vice President for Financial Services, Montana State University	Completed

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-10	Various	<b>Understated SEFA Expenditures – GOV</b> - The Montana Governor's Office of Budget and Program Planning has conducted internal staff training and updated the office's accounting system reconciliation procedures to ensure subgrants are properly reported.	Sonia Powell, Single Audit Coordinator, Montana Office of the Governor and Lieutenant Governor	Completed
2023-11	Various	<b>Understated SEFA Expenditures - DPHHS</b> - The Montana Department of Public Health and Human Services now requires additional documentation supporting prior year adjustments and performs additional cross checks during preparation of the Schedule of Expenditures of Federal Awards. The department also now requires Assistance Listing Numbers when establishing or revising the accounting system chart field structure.	Corinne Kyler, Administrator, Montana Department of Public Health and Human Services	Completed
2023-001	10.553, 10.555, 10.559, 10.582	<b>Noncompliant FFATA Reports - Nutrition - OPI</b> - The values were being duplicated due to an error in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). The Office of Public Instruction has reached out to its federal partners who are correcting their system to allow the office to report monthly without duplicating the reported values. The office will then begin reporting monthly as required.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	10/31/2024
2023-002	10.542, 10.551, 10.561	<b>Inadequate Accounting Records - SNAP - P-EBT - DPHHS</b> - The Montana Department of Public Health and Human Services conditionally concurs with this recommendation. Expenditures were tracked separately by program and records were adequate to trace funds in accordance with federal regulations. The department will continue to improve its processes related to ensuring new federal program activity is not co-mingled with other programs, especially when closely related.	Corinne Kyler, Administrator, Montana Department of Public Health and Human Services	Completed
2023-003	12.401	<b>Untimely Claim Submission - National Guard Operations and Maintenance (O&amp;M) Projects - DMA</b> - The Montana Department of Military Affairs has hired new staff and implemented a new reimbursement request tracking process. The new process requires reimbursement requests to be completed bi-weekly or monthly, depending on the specific operations and maintenance project.	Janae Grotbo, Chief Financial Officer, Montana Department of Military Affairs	Completed

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-004	14.871, 14.879	<b>Inaccurate Voucher Management System Reports - Emergency Housing Voucher Program - DOC</b> - The Montana Department of Commerce has developed procedures to ensure accurate and complete monthly reports.	Ingrid Mallo, Chief Financial Officer, Montana Department of Commerce	Completed
2023-005	14.871, 14.879	<b>Untimely or Not Completed Housing Assistance Inspections - DOC</b> - The Montana Department of Commerce has developed inspection procedures, provided training (and plans to continue to provide training) to field agents and contract managers, and established software to track inspections. The department has also revised field agency contracts to clearly define inspection requirements and to include compliance incentives.	Ingrid Mallo, Chief Financial Officer, Montana Department of Commerce	Completed
2023-006	14.195, 14.856, 14.871, 14.879	<b>Inadequate Baseline Security Controls - Housing Assistance Payment System - DOC</b> - The Montana Department of Commerce has updated password requirements to comply with statewide policies. The passwords are now sent through encrypted emails and users are required to change their passwords upon initial login. The department has also developed a process to conduct and document access reviews. Additionally, the department has developed a change control policy to address roles, responsibilities, and configuration management processes as well as procedures to adequately document the department's understanding of change impact to the system. The department has provided training and support to the backup user access manager.	Ingrid Mallo, Chief Financial Officer, Montana Department of Commerce	6/24/2024
2023-007	14.871, 14.879	<b>Noncompliant Housing Assistance Waiting List Selections - DOC</b> - The Montana Department of Commerce has implemented a tracking system to review applications potentially pulled out of order. The department has reviewed field agent permissions in the system to ensure access is granted on an as-needed basis. The department has prepared procedures for the waiting list to further document the roles and responsibilities between the field agencies and the department.	Ingrid Mallo, Chief Financial Officer, Montana Department of Commerce	6/24/2024
2023-008	14.195, 14.856	<b>Inadequate Cash Management - Section 8 Project-Based - DOC</b> - The Montana Department of Commerce has revised the Treasury State Agreement (TSA) to ensure payments to landlords are disbursed in accordance with the TSA.	Ingrid Mallo, Chief Financial Officer, Montana Department of Commerce	Completed

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-009	17.225	<b>Inadequate Support for Benefit Accuracy Measurement Reviews - UI - DLI</b> - During the audit period, the Montana Department of Labor and Industry implemented new internal controls for tracking case files. As noted in the audit report, the department implemented new internal controls when its new MUSE system launched. Department procedures also have been amended to ensure retention of system monitoring reports. The department is currently working with a vendor to develop additional case review reports.	Jay Phillips, Administrator, Montana Department of Labor and Industry	8/31/2024
2023-010	17.225	<b>Inadequate Controls Over FUTA Match - UI - DLI</b> - During the audit period, the Montana Department of Labor implemented new internal procedures to ensure compliance with reporting deadlines. New controls include creation of a master reporting schedule and automated task reminders to reporting staff to ensure timely submissions.	Jay Phillips, Administrator, Montana Department of Labor and Industry	8/31/2024
2023-011	17.225	<b>Inaccurate Federal Reporting - UI - DLI</b> - Since the new Unemployment Insurance system launched (MUSE), the Montana Department of Labor and Industry has worked with its system vendor (FAST) to generate additional system reports, which are used to reconcile fiscal activity. The department has also procured the services of a vendor who will complete a reporting accuracy and efficiency assessment of the Unemployment Insurance program. The department has reconciled accounts and is working to document new processes. The department is also currently reviewing and, if necessary, revising reports.	Jay Phillips, Administrator, Montana Department of Labor and Industry	12/31/2024
2023-012	20.205, 20.219, 20.224	<b>Noncompliant Certified Payrolls - MDT</b> - The Montana Department of Transportation will enhance internal control over certified payrolls and contractor payment compliance by developing a process following 29 CFR 3.3 and 5.5 and Montana Code Annotated 28-2-2103. The process will include certified payroll submission requirements and a payment estimate withholding method. The process will be communicated to department personnel and contractors.	Dustin Rouse, Chief Engineer, Montana Department of Transportation	12/31/2024
2023-013	20.509	<b>Noncompliance with Federal Procurement Requirements - MDT</b> - The Montana Department of Transportation has hired new leadership for the Transit Section, who are actively working with the Federal Transit Administration (FTA) and the subrecipients to formalize procedures, document oversight measures, and correct the deficiencies.	Rob Stapley, Administrator, Montana Department of Transportation	6/30/2025

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-014	20.509	<p><b>Noncompliance with Subrecipient Monitoring Requirements - MDT</b> - The Montana Department of Transportation has enhanced internal controls and subrecipient risk assessments, and provided training to staff to ensure departmental and federal compliance. It has also ensured all required elements are included in rolling-stock subaward agreements. Additionally, the department has hired new Transit Section leadership, who are actively working with the Federal Transit Administration (FTA) and the subrecipients to formalize procedures, document oversight measures, and correct these deficiencies. The department will create a tracking sheet with supervisor review and approval to ensure all subrecipient risk assessments have been performed and documented. MDT will also develop procedures for enhanced monitoring in response to higher assessed subrecipient risk levels and document the additional monitoring work performed.</p>	<p>Rob Stapley, Administrator, Montana Department of Transportation</p>	12/31/2024
2023-015	21.027	<p><b>Inadequate Subrecipient Monitoring - ARPA - DNRC</b> - The Montana Department of Natural Resources and Conservation partially concurs with finding 2023-015 because it disagrees with the interpretation that subrecipient monitoring must occur within a specified time period and believes controls were in place during the audit period. Additionally, because the department's policy is to assign every subrecipient the same risk level until an assessment is completed, it believes it is following subrecipient monitoring requirements.</p> <p>As such, the department will continue to evaluate risk through a subrecipient survey and designate any subrecipient as medium risk if a survey is not completed and returned. The department has enhanced related internal controls by noting in its Risk Assessment and Subrecipient Monitoring Guidance that the agency may withhold reimbursement payments if a subrecipient fails to complete a risk survey.</p> <p>Additionally, the DNRC continues to perform subrecipient monitoring requirements, including verifying compliance with the Single Audit Act. The agency has enhanced related internal controls by adding a process to review the Montana Department of Administration's Local Government Audit Findings Report and requesting corrective actions from noncompliant subrecipients.</p>	<p>Meaghan Bjerke, Chief Financial Officer, Montana Department of Natural Resources and Conservation</p>	Completed

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-016	21.023	<b>Inadequate Eligibility Documentation - ERA - DOC</b> - The Montana Department of Commerce has modified the program's payment platform to ensure compliance with federal requirements.	Ingrid Mallo, Chief Financial Officer, Montana Department of Commerce	Completed
2023-017	84.007, 84.033, 84.038, 84.063, 84.268, 93.264, 93.364, 93.925	<b>Internal Controls and Compliance - COA</b> - The Montana State University (MSU) plans to take action as follows:  MSU-Bozeman has complied since the 2022-23 academic year as indicated in the finding. No further action is needed.  MSU-Billings requires a second review of the Cost of Attendance (COA) calculation and additional documentation before finalizing and creation in its accounting system. For the 2025-26 year, MSU-Billings is implementing the inclusion of a third reviewer within the Financial Aid office to review COA calculations before finalization.  MSU Northern put into place internal controls over COA preparation for the 2023-24 award year. The university will have a review sheet that will be signed off by a Student Accounts representative, a member of the Executive Team, and the Financial Aid Director. After the signatures are in place, a copy will be sent to the Chancellor's Office for final review. Records will be retained for seven years under approved record retention guidelines.  Great Falls College-MSU has adjusted the Books and Supply and Other Living Expense components of its COA calculations. The adjustment for Other Living Expense was implemented for 2023-24 school year, and the Books and Supplies adjustment has been implemented for 2024-25. Great Falls College-MSU has complied with the review of the COA by others not involved in creating the COA since the 2022-23 academic year as indicated in the finding. No further action is needed for this portion of the finding.	James Broscheit, Director, Financial Aid Services, Montana State University - Bozeman  Justin Beach, Director, Financial Aid and Scholarships, Montana State University - Billings  Lourdes Caven, Director, Financial Aid, Montana State University - Northern  Leah Habel, Director, Financial Aid, Great Falls College - MSU	12/31/2024

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-018	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342	<p><b>Internal Controls and Compliance - COA - UM</b> - The University of Montana - Missoula, University of Montana - Western, and Helena College have implemented their remediation plan as noted in the prior audit, and will continue to implement internal controls to ensure the Cost of Attendance (COA) calculations are fully documented and supported.</p> <p>Beginning with the 2022-2023 academic year, UM Western has implemented a new process for maintaining thorough documentation to support COA calculations in which the Director of Financial Aid has taken responsibility.</p>	<p>Ginger Lowry, Interim Financial Aid Director, University of Montana - Missoula</p> <p>Louise Driver, Financial Aid Director, University of Montana - Western</p> <p>Valerie Curtin, Financial Aid Director, Helena College</p>	Completed
2023-019	84.007, 84.033, 84.038, 84.063, 84.268, 93.264, 93.364, 93.925	<p><b>Internal Controls and Compliance - FISAP Reporting - MSU</b> - The Montana State University (MSU) plans to take action about the Fiscal Operations Report and Application to Participate (FISAP) as follows:</p> <p>MSU-Bozeman – Financial Aid Services will return to consistently reporting the student count. As MSU-Bozeman is no longer awarding Perkins loans, the error was the result of inconsistent use of data fields to compensate for non-editable fields in the report.</p> <p>MSU-Billings – The Financial Aid office will implement a multiple-departmental review of information during the FISAP correction period and a review process for the completed FISAP before submission or during the FISAP correction period. The Associate Director of Financial Aid will review the full completed FISAP for any errors before submission.</p> <p>MSU-Northern – The Financial Aid office will put into place internal controls over FISAP preparation. Prior to submission, the FISAP report will be reviewed and signed off by a member of the Executive Team with a final review by the Chancellor. This will be put into place for the 2025-2026 award year. Records will be retained for seven years under record retention guidelines.</p>	<p>James Broscheit, Director, Financial Aid Services, Montana State University - Bozeman</p> <p>Justin Beach, Director, Financial Aid and Scholarships, Montana State University - Billings</p> <p>Lourdes Caven, Director, Financial Aid, Montana State University - Northern</p>	10/1/2024



**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-020	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342	<p><b>Internal Controls and Compliance - FISAP Reporting - UM</b> - The University of Montana - Western, Montana Technological University, and Helena College have implemented their remediation plans for supporting documentation for each year of the Fiscal Operations Report and Application to Participate (FISAP) reporting as noted in the prior audit.</p> <p>Additionally, University of Montana - Western has trained its business services staff to process and document the information for future reporting; Montana Technological University conducts a third review of each FISAP; and Helena College reconciles additional accounting reports for quality assurance.</p>	<p>Shauna Savage, Financial Aid Director, Montana Technological University</p> <p>Louise Driver, Financial Aid Director, University of Montana - Western</p> <p>Valerie Curtin, Financial Aid Director, Helena College</p>	Completed
2023-021	84.007, 84.033, 84.038, 84.063, 84.268, 93.264, 93.364, 93.925	<p><b>Internal Controls and Compliance - GLBA Requirements - MSU</b> - The Montana State University (MSU) has made significant progress in meeting Gramm-Leach-Bliley Act (GLBA) requirements and has already completed the majority of the components. Active efforts are underway to quickly complete the implementation of the remaining GLBA internal controls as recommended. These include transitioning from ad-hoc to regular reviews of user access appropriateness; completing security plans for systems storing or processing GLBA data; testing third-party companies for compliance with GLBA; and completion of security polices for affiliate campuses.</p>	<p>Justin van Almelo, Chief Information Security Officer, Montana State University - Bozeman</p>	12/31/2024
2023-022	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342	<p><b>Internal Controls and Compliance - GLBA Requirements - UM</b> - The University of Montana - Missoula (UM) has implemented and will continue to implement internal controls to comply with the Gramm-Leach-Bliley Act (GLBA) requirements. The Information Technology department will collaborate with the Financial Aid Data Stewards to conduct an inventory of financial aid data.</p>	<p>Jonathan Neff, Chief Information Security Officer, University of Montana - Missoula</p>	12/31/2024
2023-023	84.007, 84.033, 84.038, 84.063, 84.268, 93.264, 93.364, 93.925	<p><b>Internal Controls - Incentive Compensation - MSU</b> - The Montana State University (MSU) plans to amend its human resource policy on staff compensation to incorporate the provisions of the United States Department of Education incentive compensation regulation and will evaluate potential revisions to our compensation approval processes.</p>	<p>Jeannette Grey Gilbert, Chief Human Resources Officer, Montana State University</p>	12/31/2024

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-024	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342	<b>Internal Controls - Incentive Compensation - UM</b> - The University of Montana - Missoula (UM) plans to amend its human resource policy on staff compensation to incorporate the provisions of the United States Department of Education incentive compensation regulation.	Jay Stephens, Vice President for People and Culture, University of Montana - Missoula	8/30/2024
2023-025	84.007, 84.033, 84.038, 84.063, 84.268, 93.264, 93.364, 93.925	<b>Internal Controls and Compliance - Cash Management - MSU</b> - Montana State University (MSU) plans to take action as follows:  MSU-Bozeman. (1) For Federal Work Study and Federal Supplemental Education Opportunity Grant, MSU Financial Aid Services will work with University Business Services to remove these funds from the activity account. MSU-Bozeman will also return the interest earned in the accounts per prescribed method. The university does not believe the account balance is a result of excess cash draws, but rather a historical amount due to a system conversion and unreconciled funds; (2) Federal Direct Loan – the university conditionally concurs with the issue cited. University records show on the third day we had a positive cash balance, but by day four and within the seven-day tolerance, our cash balance was negative. As such, we do not believe additional corrective action will be necessary.  MSU-Billings. The university will implement additional steps to improve the cash management process. It will run a daily report showing fund balances for all federal financial aid funds. Positive fund balances will be returned before the seventh day to comply with the regulation.  MSU-Northern. The university's Business Services Office will run a daily report showing cash balances for all federal financial aid funds. If a positive balance is found that will not be distributed by the Financial Aid office within the allowable timeframe, a refund will be processed by the Business Services Office.  Great Falls College MSU. Our business office will begin monitoring fund balances in all federal aid funds daily. Positive fund balances will be allowed for no more than four calendar days. At that point a return of funds will be processed by an accountant in the business office. Verification of return of funds will be completed the following day by the Controller.	James Broscheit, Director, Financial Aid Services, Montana State University - Bozeman  Justin Beach, Director, Financial Aid and Scholarships, Montana State University - Billings  Lourdes Caven, Director, Financial Aid, Montana State University - Northern  Lisa Ward, Controller, Great Falls College MSU	12/31/2024

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-026	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342	<p><b>Internal Controls and Compliance - Student Financial Assistance Returns - UM</b> - The University of Montana - Missoula and the University of Montana - Western implemented their remediation plans from the prior audit.</p> <p>Additional controls have been implemented, including the creation of a template guide, documentation of each calculation, and an additional review, to ensure accurate calculations and timely return of unearned Title IV aid.</p>	<p>Ginger Lowry, Financial Aid Director, University of Montana - Missoula</p> <p>Louise Driver, Financial Aid Director, University of Montana - Western</p>	Completed
2023-027	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342	<p><b>Internal Controls and Compliance - Enrollment Reporting - UM</b> - The University of Montana - Missoula has implemented the remediation plan from the prior audit. Additional controls have also been implemented and an Academic Program Manager, with a firm grasp on the accreditation standards surrounding code changes, was hired in early summer 2023.</p>	<p>Maria Managold, Registrar, University of Montana - Missoula</p>	Completed
2023-028	84.425, 84.425E, 84.425F	<p><b>Reporting Controls and Compliance - HEERF - UM</b> - The University of Montana - Missoula has implemented procedures to ensure compliance with the reporting requirements of the Higher Education Emergency Relief Fund (HEERF) program. Those procedures include reviewing reports by at least one other person for accuracy and completeness, utilizing calendar reminders to ensure all deadlines are met, and retaining all records in a central location.</p>	<p>Rachel Buswell, Controller, University of Montana - Missoula</p> <p>Ginger Lowry, Financial Aid Director, University of Montana - Missoula</p>	Completed
2023-029	84.425, 84.425E, 84.425F	<p><b>Reporting Controls and Compliance - HEERF - MSU</b> - The Montana State University-Bozeman will enhance the internal controls to comply with the reporting process for any new federal programs, including those through the Higher Education Emergency Relief Fund (HEERF). The university will utilize current resources within university business services and the office of research to develop employee skillsets and build competencies to enhance controls with the reporting process.</p>	<p>Aaron Mitchell, Associate Vice President for Financial Services, Montana State University - Bozeman</p>	12/31/2024

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-030	84.425, 84.425F	<b>Controls and Compliance - HEERF - MSU</b> - The Montana State University - Bozeman will enhance internal controls to comply with federal regulations surrounding cash management and reporting requirements for new Federal programs, including those through the Higher Education Emergency Relief Fund (HEERF), and intends to use existing resources and controls within the university to strengthen the review and reporting requirements for new programs. The university is corresponding with the United States Department of Education to resolve the use of outstanding HEERF monies.	Aaron Mitchell, Associate Vice President for Financial Services, Montana State University - Bozeman	12/31/2024
2023-031	84.425, 84.425D, 84.425U	<b>Inaccurate Federal Reporting - ESSER - OPI</b> - The Montana Office of Public Instruction will update current data collection tools for the Elementary and Secondary School Emergency Relief Fund (ESSER) to validate data within a range. Validation criteria, including but not limited to data range, type, and values, will be applied to data collection template used for upcoming years of the grant.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	9/30/2024
2023-032	84.425, 84.425D, 84.425U	<b>Inadequate Support for Federal Reimbursement - ESSER - OPI</b> - The Internal Control Auditor of the Montana Office of Public Instruction will review cash requests and determine if the subrecipient grant expenditures comply with the Elementary and Secondary School Emergency Relief Fund (ESSER) requirements and ensure costs are related to the pandemic, reasonable and necessary. Additional documentation will be requested of the subrecipient as needed. The Internal Control Auditor will also monitor subrecipient compliance with construction and capital expenditures including wage certifications for construction projects.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	9/30/2024
2023-033	84.010	<b>Inadequate Supporting Documentation - Title I - OPI</b> - The Montana Office of Public Instruction program staff will document specific and detailed purposes for expenditures. Accounting staff will review and ensure that expenditures are in accordance with federal regulations prior to purchase.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	9/30/2024
2023-034	84.010	<b>Inadequate Supporting Documentation - Title 1 - OPI</b> - The Montana Office of Public Instruction management will provide staff training on how to track time and effort functions in the manner required. The training will be performed by the Centralized Services Manager and Payroll Manager.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	10/31/2024

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-035	84.010	<b>Inadequate Subrecipient Monitoring - Title I - OPI</b> - The Montana Office of Public Instruction Program Supervisor and Federal Grants Coordinator will create a new process to track and monitor Local Educational Entity (LEA) reviews, monitor findings, corrective actions identified, and whether corrective actions were completed and submitted within 90 days.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	9/30/2024
2023-036	84.010	<b>Inadequate Tracking of LEA Fiscal Effort - Title I - OPI</b> - The Montana Office of Public Instruction Program Supervisor will create a new process to calculate and monitor Maintenance of Effort in the Title I program. This new process will be outlined and ready to implement by the end of September 2024.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	9/30/2024
2023-037	84.010	<b>Unallowed Indirect Cost Recovery - Title I - OPI</b> - The Centralized Services Division (CSD) Senior Manager of the Montana Office of Public Instruction has implemented corrections such that the office is now in compliance with federal regulations. The Chief Financial Officer and CSD Senior Manager will implement two levels of checks to ensure indirect costs are only recovered for allowable costs.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	8/31/2024
2023-038	84.010, 84.365, 84.367, 84.424	<b>Inadequate Support for Federal Reimbursement - Title I-IV - OPI</b> - The Internal Control Auditor of the Montana Office of Public Instruction will perform quarterly sampling reviews to determine which receipts and additional data should be requested to ensure the agency's compliance.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	12/31/2024
2023-039	84.371	<b>Inadequate Support for Federal Reimbursement - Literacy - OPI</b> - The Internal Control Auditor of the Montana Office of Public Instruction will review cash requests and determine if the subrecipient grant expenditures comply with federal program requirements. Additional documentation will be requested of the subrecipient as needed.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	9/30/2024
2023-040	84.371	<b>Inadequate Subrecipient Monitoring - Literacy - OPI</b> - The Internal Control Auditor of the Montana Office of Public Instruction will review cash requests and determine if the subrecipient grant expenditures comply with federal program requirements. Additional documentation will be requested of the subrecipients as needed.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	9/30/2024

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-041	84.371	<b>Noncompliant Eligibility Determinations - Literacy - OPI</b> - The Montana Office of Public Instruction does not concur with finding 2023-041. The Office notes that the United States Department of Education approved the application eligibility requirements.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	N/A
2023-042	84.371	<b>Noncompliant Federal Reporting - Literacy-OPI</b> - The Montana Office of Public Instruction grant staff and Literacy Program Instructional Coordinator will document reports and expenses in a single file to reduce duplication and to confirm expenditures are properly recorded. The reports will be gathered and reviewed quarterly.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	9/30/2024
2023-043	84.027, 84.173	<b>Special Education Allocation Errors - OPI</b> - The Montana Office of Public Instruction is implementing a new software application for allocations. Until the application is in place, the current Excel allocation spreadsheet is being reviewed by program and financial unit staff, who will confirm the accuracy of the data and formulas.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	7/1/2025
2023-044	84.027, 84.173	<b>Inadequate Controls and Documentation - State Maintenance of Effort - OPI</b> - The Montana Office of Public Instruction has implemented internal controls for this process. In the 2024 school year, the OPI had multiple reviews on these allocations, including by the Office of Special Education Programs (OSEP) and a funded national technical assistance center, the Center for Individuals with Disabilities Education Act (IDEA) Fiscal Reporting (CIFR). For the 2025/2026 school year, the Data Operations team will complete the special education allocations and submit the allocations to the IDEA Fiscal Manager for review. The IDEA Fiscal Manager will complete the ten percent increase or decrease in overall validated allocations and submit to the Special Education Director for review and sign off.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	8/30/2024
2023-045	84.425, 84.425D, 84.425U	<b>Noncompliant FFATA Reports - ESSER - OPI</b> - The Montana Office of Public Instruction will implement a process to reconcile the data between the Federal Funding Accounting and Transparency Act (FFATA) Subaward Reporting System (FSRS) and the USASpending system monthly. This finding was based on the federal system not functioning as expected.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	9/30/2024

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-046	84.371	<b>Noncompliant FFATA Reports - Literacy - OPI</b> - The Montana Office of Public Instruction will implement a process to reconcile the data between the Federal Funding Accounting and Transparency Act (FFATA) Subaward Reporting System (FSRS) and the USASpending system monthly. This finding was based on the federal system not functioning as expected. This reconciliation process will be completed monthly.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	9/30/2024
2023-047	84.010	<b>Noncompliant FFATA Reports - Title I - OPI</b> - The Montana Office of Public Instruction will implement a process to reconcile the data between the Federal Funding Accounting and Transparency Act (FFATA) Subaward Reporting System (FSRS) and the USASpending system monthly. This finding was based on the federal system not functioning as expected. This reconciliation process will be completed monthly.	April Grady, Chief Financial Officer, Montana Office of Public Instruction	9/30/2024
2023-048	93.423	<b>Unperformed Duties for Waiver Program Subgrants - SAO</b> - The Montana State Auditor's Office's calendar of required tasks has since been updated to include the additional federal requirements. The calendar lists each requirement, the timeline of completion, and the assigned individual or team. The calendar includes searching SAM.gov for debarment status, making subaward disclosures to the association, and ensuring Federal Funding Accounting and Transparency Act (FFATA) reports are filed.  These measures are in addition to existing oversight, which has included regularly communicating with the association's board chair and administrator and attending quarterly meetings as an ex officio member per § 33-22-1307(1)(e), MCA. Prior to its creation by 2019 Montana Senate Bill 125, the association was not (and practically could not be) debarred from federal contracting, nor has the association been debarred from federal contracting at any time since its creation. In addition, the association has obtained a Unique Entity Identifier.	Amber Long-Thorvilson, Chief Financial Officer, Montana State Auditor's Office	Completed
2023-049	93.423	<b>No Written Cash Management Policies - SAO</b> - The Montana State Auditor's Office has adopted a written policy to address all concerns identified in this section of the audit report. Specifically, the office has adopted a cash management policy that formalized the processes that were already in use by staff in handling program funds. In accordance with federal requirements, federal funds were never held longer than three days before being disbursed.	Amber Long-Thorvilson, Chief Financial Officer, Montana State Auditor's Office	Completed

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-050	93.423	<b>Inadequate Controls Over SF-425 Reporting - SAO</b> - The Montana State Auditor's Office has adopted an additional layer of review before submitting the SF-425 report. This additional layer of review was conducted before the 2023 SF-425 report was submitted to the Centers for Medicare and Medicaid Services (CMS). CMS has accepted all SF-425 submissions and did not identify any errors in any of the Office's SF-425 submissions.	Amber Long-Thorvilson, Chief Financial Officer, Montana State Auditor's Office	Completed
2023-051	93.659	<b>Reporting Controls and Compliance - Adoption Assistance - DPHHS</b> - The Montana Department of Public Health and Human Services has enhanced internal control procedures to ensure the correct Federal Medical Assistance Percentage rate is included on the report.	Nicole Grossberg, Administrator, Montana Department of Public Health and Human Services	Completed
2023-052	93.323, 93.659	<b>Cash Management Controls and Compliance - DPHHS</b> - The Montana Department of Public Health and Human Services, Business and Financial Services Division will work with the Internal Control and Compliance Officer to update cash management procedures to ensure compliance with federal regulations. The department will enhance its internal controls over cash draws to minimize the timing between drawdowns and disbursements. The department also intends to implement detective and monitoring controls to ensure compliance.	Corinne Kyler, Administrator, Montana Department of Public Health and Human Services	10/31/2024
2023-053	93.323	<b>Controls and Compliance - ELC Subrecipient Payments and QC - DPHHS</b> - The Montana Department of Public Health and Human Services has enhanced internal controls in the Epidemiology and Laboratory Capacity for Infectious Diseases program to ensure risk assessments are completed and documented for all subrecipients. In addition, training was provided to division staff on various subrecipient requirements, including risk assessments, in May 2024. The department has also implemented detective and monitoring controls to ensure compliance.	David Gerard, Executive Director, Montana Department of Public Health and Human Services	Completed



**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-054	93.323	<b>Controls and Compliance - ELC Subrecipient Disclosures - DPHHS</b> - The Montana Department of Public Health and Human Services updated its contract template for the 2023 Epidemiology and Laboratory Capacity for Infectious Diseases program contracts to include all required disclosures. Controls have been implemented to properly classify subrecipient relationships and to ensure all federal award information is communicated. In addition, training was provided to division staff on various subrecipient requirements, including identification of subrecipient relationships and disclosures, in May 2024. The department also implemented detective and monitoring controls to ensure compliance.	David Gerard, Executive Director, Montana Department of Public Health and Human Services	Completed
2023-055	93.323	<b>Inadequate Supporting Documentation - ELC - DPHHS</b> - The Montana Department of Public Health and Human Services is in the process of collecting additional documentation for the Epidemiology and Laboratory Capacity for Infectious Diseases program from our subrecipients to support allowable costs. The department will continue to enhance its internal controls and documentation related to its review process.	David Gerard, Executive Director, Montana Department of Public Health and Human Services	12/31/2024
2023-056	93.658	<b>Foster Care Subrecipient Disclosures - DPHHS</b> - The Montana Department of Public Health and Human Services has updated internal policies in the Foster Care program to ensure all components of subrecipient disclosures are included into agreements. State fiscal year 2024 contracts and disclosure notifications were immediately amended with the proper language. Program staff are in the process of completing all subrecipient risk assessments. Risk assessments will be completed for all subrecipients during state fiscal year 2025 and annually thereafter.	Nicole Grossberg, Administrator, Montana Department of Public Health and Human Services	10/31/2024
2023-057	93.658	<b>Inadequate Supporting Documentation - Foster Care - DPHHS</b> - The Montana Department of Public Health and Human Services started completing and documenting risk assessments for subrecipients in 2024 and will fully implement in 2025. The department believes the subrecipients that have the questioned costs are low risk and the department is confident the reimbursements were made for allowable activities. During July 2024, the department requested receipt-level documentation for questioned costs and the reviews have indicated all costs are allowable. Program staff will ensure monitoring procedures align with risk assessments and obtain additional documentation from its subrecipients, as needed. Training was provided on subrecipient risk assessments and the correlation with monitoring procedures in April 2024.	Nicole Grossberg, Administrator, Montana Department of Public Health and Human Services	12/31/2024

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-058	93.558	<b>Potential Risk of Inaccurate ACF 199 Reports - TANF - DPHHS</b> - The Montana Department of Public Health and Human Services developed procedures in February 2023 for the Temporary Assistance for Needy Families program and is currently working to create a tool to better document the review and approval of the report. However, a comprehensive review of the data prior to submission is not possible, due to the type of data being submitted. The data is submitted in code (i.e., strings of numbers) to be read by the Administration for Children and Families (ACF) system. A review will be done to the extent possible to ensure expectations are met about file sizes and numbers of rows. Review results will be documented in a review checklist, which will include a notation of the file review and signature.	Chappell Smith, Administrator, Montana Department of Public Health and Human Services	11/30/2024
2023-059	93.575, 93.596	<b>Inadequate Subrecipient Monitoring - CCDF - DPHHS</b> - The Montana Department of Public Health and Human Services, Child Care and Development Fund programs have updated their 2023 contracts to include required disclosures. Risk assessments were completed annually, as required. However, the 2022 risk assessments were accidentally copied over when completing the 2023 risk assessments. Controls have been updated to ensure copies of each risk assessment are now saved with procurement files to ensure files are not accidentally replaced.	Tracy Moseman, Administrator, Montana Department of Public Health and Human Services	Completed
2023-060	93.575, 93.596	<b>Inadequate Subrecipient Monitoring - CCDF - DPHHS</b> - The Montana Department of Public Health and Human Services, Child Care and Development Fund programs will develop monitoring procedures to coordinate state plan requirements with contract requirements and make amendments to contracts when State Plan changes.	Tracy Moseman, Administrator, Montana Department of Public Health and Human Services	12/31/2024
2023-061	93.575, 93.596	<b>Noncompliant Federal Reporting - CCDF - PHHS</b> - The Montana Department of Public Health and Human Services, Child Care and Development Fund programs will enhance internal controls over ACF-696 reporting. The department will review accounting activities and accounting chartfield data to identify areas for improvement as relating to federal reporting. In addition, the department intends to implement detective and monitoring controls to ensure compliance.	Tracy Moseman, Administrator, Montana Department of Public Health and Human Services	12/31/2024

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-062	93.575, 93.596	<p><b>Expenditures Not Within Obligation Period - CCDF - PHHS</b> - The Montana Department of Public Health and Human Services, Child Care and Development Fund programs will improve internal controls to ensure federal funds are used in the correct obligation period. Significant improvements were made in state fiscal year 2023. Additional controls were developed to ensure inactivation of cost centers to prevent payroll or other expenses to post beyond the first year of the grant. Guidelines were created to provide additional time and review of the ACF-696 reports prior to submission. The department has identified set-aside costs for grant funds that are allowable and will offset portions of the questioned costs.</p>	<p>Tracy Moseman, Administrator, Montana Department of Public Health and Human Services</p>	Completed
2023-063	93.575, 93.596	<p><b>Inadequate Obligations - ARPA Stabilization - DPHHS</b> - The Montana Department of Public Health and Human Services does not concur with finding 2023-063.</p> <p>The department obligated all funds and then reallocated the surplus to providers that had not received prior stabilization funds. Providers that received reallocated funds were required to provide email confirmation of their express intent to receive and utilize unliquidated funds prior to 09/30/2022, thereby meeting the intent of the obligation as defined in 45 CFR 75.2. The email from the department stated funding amounts will be determined based on other Montana providers by size. Child care providers responded to the email confirming they agreed to accept the funds. Once the providers confirmed they agreed to accept funds, the department had a valid obligation, and therefore did not request the waiver offered by our federal cognizant to extend the obligation period from Administration for Children and Families (ACF). The waiver was extended to all states in recognition of the difficulty states were experiencing meeting the obligation criteria. The desert payment amounts were based on a formula using the total previously obligated unliquidated grant funds and the size of the provider. In November 2022, letters were sent to providers outlining their portion of the previously obligated allotment.</p>	<p>Tracy Moseman, Administrator, Montana Department of Public Health and Human Services</p>	N/A

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-064	93.575, 93.596	<b>Inadequate Documentation of Recipient Eligibility - CCDF - DPHHS</b> - The Montana Department of Public Health and Human Services, Child Care and Development Fund programs are continuing to review questioned costs per the guidance received from Office of Child Care (OCC). The department documents the extent to which families receiving the 2021 Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) funded subsidies were eligible, including income-eligible or essential workers. The department additionally documents the extent to which providers who served families met applicable health and safety requirements. Program staff will enhance controls and training and will work with federal partners to ensure funding is in alignment with applicable terms and conditions.	Tracy Moseman, Administrator, Montana Department of Public Health and Human Services	12/31/2024
2023-065	93.767	<b>Inadequate Provider Eligibility Controls - CHIP - DPHHS</b> - The Montana Department of Public Health and Human Services processes Service Organizational Control (SOC) reports at the agency level. But the Children's Health Insurance Program (CHIP) will work with its contractor to ensure it is clearly identified in future SOC reports to ensure receipt of assurances about provider screening and enrollment.	Shellie McCann, Medicaid Systems Administrator, Montana Department of Public Health and Human Services	3/31/2025
2023-066	93.775, 93.777, 93.778	<b>Inadequate Medicaid ADP System Reviews - DPHHS</b> - The Montana Department of Public Health and Human Services acknowledges that staff turnover contributed to the department's non-compliance. The department will reinstitute applicable controls.	Shellie McCann, Medicaid Systems Administrator, Montana Department of Public Health and Human Services	9/30/2024
2023-067	Various	<b>Noncompliant Cost Allocation - DPHHS</b> - The Montana Department of Public Health and Human Services has completed its cost allocation business improvement review, which looked at the department's cost pool allocation methodology, the creation of new pools, and the timeliness of updates and appropriateness to the Public Assistance Cost Allocation Plan (PACAP). All internal controls, processes and procedures were updated, training of department staff and training material was implemented, and new processes were effective as of quarter one state fiscal year 2024. The department has moved to quarterly PACAP submissions to assure that changes are caught timely. The department now sets the effective date of amended cost allocation plans to be the first day of the calendar quarter following the date of the amendment.	Corinne Kyler, Administrator, Montana Department of Public Health and Human Services	Completed

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-068	93.575, 93.596	<b>Noncompliant FFATA Reports - CCDF - DPHHS</b> - The Montana Department of Public Health and Human Services, Child Care and Development Fund programs will enhance existing internal controls and instructions to ensure timely and accurate submission of Federal Funding Accountability and Transparent Act (FFATA) reports in accordance with federal regulations.	Corinne Kyler, Administrator, Montana Department of Public Health and Human Services	3/31/2025
2023-069	93.323	<b>Noncompliant FFATA Reports - ELC- DPHHS</b> - The Montana Department of Public Health and Human Services, Epidemiology and Laboratory Capacity for Infectious Diseases program will enhance existing internal controls and instructions to ensure timely and accurate submission of Federal Funding Accountability and Transparent Act (FFATA) reports in accordance with federal regulations.	Corinne Kyler, Administrator, Montana Department of Public Health and Human Services	3/31/2025
2023-070	93.658	<b>Noncompliant FFATA Reports - Foster Care - DPHHS</b> - The Montana Department of Public Health and Human Services, Foster Care program will enhance existing internal controls and instructions to ensure timely and accurate submission of Federal Funding Accountability and Transparent Act (FFATA) reports in accordance with federal regulations.	Corinne Kyler, Administrator, Montana Department of Public Health and Human Services	3/31/2025
2023-071	93.558	<b>Noncompliant FFATA Reports - TANF - DPHHS</b> - The Montana Department of Public Health and Human Services, Temporary Assistance for Needy Families program will enhance existing internal controls and instructions to ensure timely and accurate submission of Federal Funding Accountability and Transparent Act (FFATA) reports in accordance with federal regulations.	Corinne Kyler, Administrator, Montana Department of Public Health and Human Services	3/31/2025
2023-072	93.268	<b>Noncompliant FFATA Reports - Immunization - DPHHS</b> - The Montana Department of Public Health and Human Services, Immunization Cooperative Agreements program enhance existing internal controls and instructions to ensure timely and accurate submission of Federal Funding Accountability and Transparent Act (FFATA) reports in accordance with federal regulations.	Corinne Kyler, Administrator, Montana Department of Public Health and Human Services	3/31/2025

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-073	97.036	<b>Deficient FFATA Controls - DMA</b> - The Montana Department of Military Affairs, Disaster and Emergency Services Division, will update Federal Funding Accountability and Transparent Act (FFATA) reporting procedures to ensure proper controls are in place for timely and accurate submissions. FFATA procedures will be defined and updated to include saving a copy of each submitted FFATA report and annotating review. The department will reach out to federal partners for additional training and guidance on FFATA reporting to properly comply with federal requirements.	Delila Bruno, Administrator, Montana Department of Military Affairs	12/1/2024
2023-074	97.036	<b>Inadequate Subrecipient Communications and Controls - DMA</b> - The Montana Department of Military Affairs, Disaster and Emergency Services Division, will update the applicant awarding documentation to include the Federal Agency Listing Number (ALN) in compliance with 2 CFR 200.332(a)(1) and review of subrecipient audit reports as part of the initial risk assessments.	Delila Bruno, Administrator, Montana Department of Military Affairs	12/31/2024
2023-075	97.042, 97.047	<b>Inadequate Support for Federal Reimbursement - DMA</b> - The Montana Department of Military Affairs, Disaster and Emergency Services Division, has improved and implemented internal control procedures to ensure proper supporting documentation is sufficient at the time of reimbursement and continues to work with the Federal Emergency Management Agency (FEMA) to ensure compliance with grant guidance. The department reviews and updates the current internal control process to ensure sufficient documentation is received and maintained.	Delila Bruno, Administrator, Montana Department of Military Affairs	Completed
2023-076	Various R&D	<b>Equipment Inventory Controls - MSU</b> - Montana State University - Bozeman will enhance the internal controls surrounding the capital asset inventory and tagging process, including accessing research space to count and tag new assets. The university had a difficult time over the pandemic in retaining employees and hiring replacements. There were also difficulties accessing space on campus due to social distancing requirements. The university has been able to hire employees in Property Management and expects the pandemic-related challenges to be minimal moving forward.	Aaron Mitchell, Associate Vice President for Financial Services, Montana State University	12/31/2024

**STATE OF MONTANA  
CORRECTIVE ACTION PLAN  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

Finding Number	ALN	Corrective Action Plan	Person(s) Responsible for Corrective Measures	Target Date
2023-077	Various R&D	<b>Equipment Inventory Controls - UM</b> - The University of Montana - Missoula has strengthened internal controls by hiring an Account Analyst to manage asset tagging and to conduct comprehensive reviews to ensure all assets are tagged and accounted. The Account Analyst will be assisted by an intern to conduct a thorough review to verify and update the status of all assets.	Rachel Buswell, Controller, University of Montana - Missoula	9/30/2024
2023-078	Various R&D	<b>Grant Management Internal Controls - UM</b> - The University of Montana - Missoula will train all new staff members and ensure sufficient staffing levels to manage the workload effectively.  UM Missoula has also established a dedicated training position within the Office of Sponsored Programs to ensure all employees have the training and resources needed to manage federal Research and Development Program awards in compliance with applicable federal statutes and regulations. The training position is currently posted and is waiting to be filled.	Nicole Thompson, Director, Office of Sponsored Programs, University of Montana - Missoula	12/31/2024  9/30/2024
2023-079	10.551, 10.561	<b>SOC Not Obtained and Reviewed - SNAP - DPHHS</b> - The Montana Department of Public Health and Human Services made numerous unsuccessful attempts to obtain the Service Organization Controls (SOC) report from its vendor. The report had been difficult to obtain since the vendor was acquired by another company. It is important to the department to preserve the vendor relationship until the contract expires in September 2025. The department is hopeful to implement corrective action with the vendor and is working through the contract issue with its legal staff. If the department cannot obtain SOC reports for future program years, it will develop alternative processes to obtain sufficient assurance.	Chappell Smith, Administrator, Montana Department of Public Health and Human Services	12/31/2024





# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

## TABLE OF CONTENTS

Transmittal Letter for Summary Schedule of Prior Audit Findings .....	E-1
Summary Schedule of Prior Audit Findings .....	E-3



OFFICE OF THE GOVERNOR  
BUDGET AND PROGRAM PLANNING  
STATE OF MONTANA

GREG GIANFORTE  
GOVERNOR



CAPITOL BUILDING - P.O. BOX 200802  
HELENA, MONTANA 59620-0802

August 14, 2024

Mr. Angus Maciver, Legislative Auditor  
Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

RECEIVED

AUG 14 2024

LEGISLATIVE AUDIT DIV.

Re: Summary Schedule of Prior Audit Findings  
Montana Single Audit Report #22-02  
For the Two Fiscal Years Ended June 30, 2023

Dear Mr. Maciver:

In accordance with Uniform Guidance requirements, the state of Montana is responsible for follow-up and corrective action on all audit findings identified in the Montana Single Audit Report. As part of this responsibility, the state is required to prepare a summary schedule reporting the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to federal awards. The Office of Budget and Program Planning compiles this information on behalf of the state and monitors the implementation status of these audit findings.

Attached is the State of Montana's Summary Schedule of Prior Audit Findings for the two fiscal years ended June 30, 2023. This summary identifies the implementation status of all prior audit findings, except for those findings that have been fully corrected, are no longer valid, or do not warrant further action on the part of the state.

Sincerely,

*/s/ Ryan Osmundson*

Ryan Osmundson  
Budget Director

cc: Sonia Powell, Single Audit Coordinator



**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
<b>Various Federal Agencies - Financial Statement Findings</b>						
Various	Various	2005-1-1, 2005-1-2 2007-1-1, 2007-1-2 2009-1-2, 2009-1-3 2011-1-1, 2011-1-2 2013-2, 2013-3 2015-2, 2017-1 2019-2, 2021-1	Actuarial Soundness of the Retirement Systems	2	2004-05	Repeated as finding 2023-2.
Various	Various	2019-4	Examination of Service Organization Controls Not Obtained - SNAP Program - DPHHS	1	2018-19	
Various	Various	2021-2	Financial Closing Errors - Unemployment Insurance Fund - DLI	2	2020-21	Repeated as finding 2023-4.
Various	Various	2021-3	Financial Statement Errors - Unemployment Insurance Fund - DOA	1	2020-21	
Various	Various	2021-4	Schedule of Expenditures of Federal Awards Errors - SNAP - P-EBT - DPHHS	2	2020-21	Repeated as finding 2023-11.
Various	Various	2021-5	Potential Risk Over Capital Asset Management - MSU Bozeman	1	2020-21	
Various	Various	2021-6	Misstated Capital Assets - UMI Missoula	1	2020-21	
Various	Various	2021-7	Potential Risk of Misapplied State Match - Medicaid - CHIP - DPHHS	1	2020-21	

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
<b>Various Federal Agencies - Federal Compliance Findings</b>						
Various R&D	Research and Development Cluster	2019-007	Noncompliant Suspension or Debarred Verification - UM Missoula	1	2018-19	
Various R&D	Research and Development Cluster	2021-034	Noncompliant Equipment Tagging - UM Missoula	2	2020-21	Repeated as finding 2023-077.
<b>U.S Department of Agriculture</b>						
10.551, 10.561, 10.557	Supplemental Nutrition Assistance Program Cluster Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	2017-014 2019-022	Noncompliant Cost Allocation - DPHHS	2	2016-17	The auditors did not repeat finding 2019-022 for the Supplemental Nutrition Assistance Program Cluster (ALNs 10.551, 10.561) in Montana's 2021 biennial Single Audit report, but did repeat it as finding 2023-067 in Montana's 2023 biennial Single Audit report.  The auditors did not repeat finding 2017-014 for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (ALN 10.557) in Montana's 2019, 2021, or 2023 biennial Single Audit reports.
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster	2019-008 2021-045	Examination of Service Organization Controls Not Obtained or Reviewed - DPHHS	1	2018-19	

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	2019-024	Excess Federal Cash - DPHHS	1	2018-19	The auditors did not repeat finding 2019-024 for the Special Supplemental Program for Women, Infants, and Children (WIC) (ALN 10.557) in Montana's 2021 or 2023 biennial Single Audit reports.
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	2019-032	Inadequate Subrecipient Monitoring - OPI	1	2018-19	However, the auditors referenced finding 2019-024 in Montana's 2023 biennial Single Audit report for the Epidemiology and Laboratory Capacity for Infection Diseases (ALN 93.323) and Adoption Assistance (ALN 93.659) programs because a central group of personnel is responsible for managing cash draws for federal programs.
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	2021-039	Inadequate Inventory Records - Child Nutrition - OPI	1	2020-21	Although listed in Montana's 2021 Summary Schedule of Prior Audit Findings, the auditors did not repeat finding 2019-032 for the Child Nutrition Cluster (ALNs 10.553, 10.555, 10.556, 10.559) in Montana's 2021 or 2023 biennial Single Audit reports.
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	2021-040	Inadequate Testing Of Child Nutrition System - OPI	1	2020-21	

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	2021-042	Cash Draw Errors - ESSER - Child Nutrition - OPI	2	2020-21	The auditors did not repeat finding 2021-042 in Montana's 2023 biennial Single Audit report as compliance testing of cash management in the Child Nutrition Cluster (ALNs 10.553, 10.555, 10.556, and 10.559) was no longer required by Appendix XI of 2 CFR 200. However, the auditors stated that, as a result of their follow up procedures, there was sufficient reason to warrant recurrence of finding 2021-042 in Montana's 2023 Summary Schedule of Prior Audit Findings.
<b>U.S. Department of Defense</b>						
12.401	National Guard Military Operations and Maintenance (O&M) Projects	2021-001	Noncompliance with Federal Allowable Cost Splits - National Guard O&M - DMA	1	2020-21	
<b>U.S. Department of Education</b>						
84.287	Twenty-First Century Community Learning Centers	2019-030	Noncompliant Subrecipient Draw Requests - OPI	1	2018-19	Although listed in Montana's 2021 Summary Schedule of Prior Audit Findings, the auditors did not repeat finding 2019-030 for the Twenty-First Century Community Learning Centers (ALN 84.287) in Montana's 2021 or 2023 biennial Single Audit reports.

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.



**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
84.010, 84.027, 84.173, 84.287, 84.425D	Title I Grants to Local Educational Agencies Special Education Cluster (IDEA) Twenty-First Century Community Learning Centers Elementary and Secondary School Emergency Relief Fund	2019-032 2021-035	Inadequate Subrecipient Monitoring - OPI	2	2018-19	The auditors did not repeat finding 2021-035 in Montana's 2023 biennial Single Audit report. However the auditors stated that, based on their compliance testing of subrecipient monitoring in the Title I program (ALN 84.010), finding 2023-035 was sufficiently related to finding 2021-035 to warrant recurrence of the finding in Montana's 2023 Summary Schedule of Prior Audit Findings.
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-021	Inadequate Governance Over University System Information Security Policies - OCHE	1	2020-21	The auditors did not repeat finding 2019-032 for the Twenty-First Century Learning Centers (ALN 84.287) in Montana's 2021 or 2023 biennial Single Audit reports.
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-022	Inadequate Information Technology Risk Management Programs - MSU Bozeman	2	2020-21	Repeated as finding 2023-021.
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-023	Inadequate Information Technology Risk Management Programs - UM Missoula	2	2020-21	Repeated as finding 2023-022.

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-024	Potential Risk Of Noncompliant Direct Loan Reconciliations - GF College and MSU Northern	1	2020-21	
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-025	Potential Risk Of Noncompliant Cost of Attendance Calculation - MSU Bozeman - MSU Billings - MSU Northern - GF College	2	2020-21	Repeated as finding 2023-017.
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-026	Noncompliant Perkins Notifications - MSU Northern	1	2020-21	
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-027	Potential Risk Of Noncompliant Cost of Attendance Calculations - UM Missoula - UM Western - Helena College	2	2020-21	Repeated as finding 2023-018.
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-028	Noncompliant Student Financial Aid Calculations - UM Missoula - UM Western	2	2020-21	Repeated as finding 2023-026.
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-029	Noncompliant Enrollment Reporting - UM Missoula	2	2020-21	Repeated as finding 2023-027.

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.  
3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-030	Noncompliant Direct Loan Reconciliations - UM Missoula - UM Western - Helena College - MT Tech	1	2020-21	
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-031	Noncompliant Fiscal Operations Report and Application to Participate Reports - UM Western - Helena College	2	2020-21	Repeated as finding 2023-020.
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-032	Inadequate Records Retention - Perkins - UM Missoula - UM Western - Montana Tech - Great Falls College	1	2020-21	
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Programs Cluster	2021-033	Noncompliant Monitoring Of Perkins Loans Third-Party Servicer - UM Missoula - MT Tech - UM Western	1	2020-21	
84.425D	Elementary and Secondary School Emergency Relief Fund	2021-036	Inadequate Supporting Documentation - ESSER - OPI	2	2020-21	Repeated as finding 2023-032.
84.425D	Elementary and Secondary School Emergency Relief Fund	2021-037	Noncompliant Federal Reporting - ESSER - OPI	2	2020-21	Repeated as finding 2023-031.

Status Categories

- 1 - Corrective action was taken.
- 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported.
- 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
84.010, 84.425D	Title I Grants to Local Educational Agencies Elementary and Secondary School Emergency Relief Fund	2021-038	Noncompliant Federal Funding Accountability and Transparency Act Reports - ESSER - OPI	2	2020-21	The auditors repeated finding 2021-038 for the Title I program (ALN 84.010) as finding 2023-047 and for the ESSER program (ALN 84.425) as finding 2023-045.
84.027, 84.173	Special Education Cluster (IDEA)	2021-041	Potential Risk of Noncompliance with Special Education Requirements - OPI	2	2020-21	Repeated as finding 2023-044.
84.425D	Elementary and Secondary School Emergency Relief Fund	2021-042	Cash Draw Errors - ESSER - Child Nutrition - OPI	2	2020-21	The auditors did not repeat finding 2021-042 in Montana's 2023 biennial Single Audit report as compliance testing of cash management in the ESSER program (ALN 84.425D) was no longer required by Appendix XI of 2 CFR 200. However, the auditors stated that, as a result of their follow up procedures, there was sufficient reason to warrant recurrence of finding 2021-042 in Montana's 2023 Summary Schedule of Prior Audit Findings.
84.010	Title I Grants to Local Educational Agencies	2021-043	Inadequate Tracking of Earmarked Activity - Title I - OPI	2	2020-2021	Repeated as finding 2023-033.
84.010	Title I Grants to Local Educational Agencies	2021-044	Inadequate Policies and Procedures Over Graduation Rate Data - Title I - OPI	1	2020-21	

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
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**U.S. Department of Health and Human Services**

93.658	Foster Care - Title IV-E	2015-014 2019-016 2021-051	Noncompliant Subrecipient Communications - Foster Care - DPHHS	2	2014-15	Repeated as finding 2023-056.
93.558, 93.563, 93.575, 93.596, 93.658, 93.667, 93.767, 93.775, 93.777, 93.778	Temporary Assistance for Needy Families Child Support Enforcement Child Care and Development Fund Cluster Foster Care - Title IV-E Social Services Block Grant Children's Health Insurance Program Medicaid Cluster	2017-014 2019-022 2021-063	Noncompliant Cost Allocation - DPHHS	2	2016-17	The auditors repeated the finding in Montana's 2023 biennial Single Audit Report as finding 2023-067 with the following considerations.  The auditors did not repeat finding 2017-014 for the Social Services Block Grant (ALN 93.667) in Montana's 2019, 2021, or 2023 biennial Single Audit reports.  The auditors did not repeat finding 2019-022 for the Child Support Enforcement program (ALN 93.563) and the Child Care and Development Fund Cluster (ALNs 93.575, 93.596) in Montana's 2021 biennial Single Audit report but did repeat it as finding 2023-067 in the 2023 biennial Single Audit report.  As requested by the ACF, the Montana Department of Public Health and Human Services implemented revised corrective actions by implementing a cost allocation modernization project, correcting the known cost allocation errors, and adjusting the December 31, 2023 CB-496 report for the corrections.

Status Categories

- 1 - Corrective action was taken.
- 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported.
- 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
93.558, 93.658	Temporary Assistance for Needy Families Foster Care-Title IV-E	2017-024 2019-015	Noncompliance With Procurement Requirements - DPHHS	4	2016-17	The auditors did not repeat findings 2017-024 and 2019-015 for the Temporary Assistance for Needy Families program (ALN 93.558) in Montana's 2021 or 2023 biennial Single Audit reports.  The auditors did not repeat finding 2019-015 for the Foster Care-Title IV-E program (ALN 93.658) in Montana's 2021 or 2023 biennial Single Audit reports.  As such, because two years have passed since the audit report in which the findings occurred, the federal awarding agency does not appear to be currently following up, and management decisions were not issued, findings 2019-015 and 2017-024 warrant no further action.
93.775, 93.777, 93.778, 93.767	Medicaid Cluster Children's Health Insurance Program	2019-001 2021-046	Noncompliant Eligibility Determinations - Medicaid - CHIP - DPHHS	1	2018-19	
93.775, 93.777, 93.778	Medicaid Cluster	2019-003	Inadequate Documentation of Medicaid Provider Investigations - DPHHS	4	2018-19	The auditors did not repeat finding 2019-003 in Montana's 2021 or 2023 biennial Single Audit reports.  As such, because two years have passed since the audit report in which the finding occurred, the federal awarding agency does not appear to be currently following up, and a management decision was not issued, finding 2019-03 warrants no further action.

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
93.775, 93.777, 93.778	Medicaid Cluster	2019-005	Noncompliant Suspension and Debarment Communications - DPHHS	1	2018-19	
93.558	Temporary Assistance for Needy Families	2019-008 2021-045	Examination of Service Organization Controls Not Obtained or Reviewed - DPHHS	1	2018-19	
93.658	Foster Care - Title IV-E	2019-017 2021-061	Inadequate Supporting Documentation - Foster Care - DPHHS	2	2018-19	Repeated as finding 2023-057.
93.575, 93.596	Child Care and Development Fund Cluster	2019-019 2021-058	Inadequate Tracking of Matching Funds, Earmarking, Period of Performance, and Maintenance of Effort - CCDF - DPHHS	2	2018-19	Repeated as finding 2023-061.
93.563	Child Support Enforcement	2019-024	Excess Federal Cash - DPHHS	2	2018-19	The auditors did not repeat finding 2019-024 for the Child Support Enforcement program (ALN 93.563) in Montana's 2021 or 2023 biennial Single Audit reports.  However, the auditors referenced finding 2019-024 in finding 2023-052 for the Epidemiology and Laboratory Capacity for Infection Diseases (ALN 93.323) and Adoption Assistance (ALN 93.659) programs because a central group of personnel is responsible for managing cash draws for federal programs.
93.264, 93.342, 93.364, 93.925	Student Financial Assistance Programs Cluster	2021-021	Inadequate Governance Over University System Information Security Policies - OCHE	1	2020-21	

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
93.264, 93.364, 93.925	Student Financial Assistance Programs Cluster	2021-022	Inadequate Information Technology Risk Management Programs - MSU Bozeman	2	2020-21	Repeated as finding 2023-021.
93.342	Student Financial Assistance Programs Cluster	2021-023	Inadequate Information Technology Risk Management Programs - UM Missoula	2	2020-21	Repeated as finding 2023-022.
93.264, 93.364, 93.925	Student Financial Assistance Programs Cluster	2021-024	Potential Risk Of Noncompliant Direct Loan Reconciliations - GF College and MSU Northern	1	2020-21	
93.264, 93.364, 93.925	Student Financial Assistance Programs Cluster	2021-025	Potential Risk Of Noncompliant Cost of Attendance Calculation - MSU Bozeman - MSU Billings - MSU Northern - GF College	2	2020-21	Repeated as finding 2023-017.
93.264, 93.364, 93.925	Student Financial Assistance Programs Cluster	2021-026	Noncompliant Perkins Notifications - MSU Northern	1	2020-21	
93.342	Student Financial Assistance Programs Cluster	2021-027	Potential Risk Of Noncompliant Cost of Attendance Calculations - UM Missoula - UM Western - Helena College	2	2020-21	Repeated as finding 2023-018.
93.342	Student Financial Assistance Programs Cluster	2021-028	Noncompliant Student Financial Aid Calculations - UM Missoula - UM Western	2	2020-21	Repeated as finding 2023-026.
93.342	Student Financial Assistance Programs Cluster	2021-029	Noncompliant Enrollment Reporting - UM Missoula	2	2020-21	Repeated as finding 2023-027.

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.



**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
93.342	Student Financial Assistance Programs Cluster	2021-030	Noncompliant Direct Loan Reconciliations - UM Missoula - UM Western - Helena College - MT Tech	1	2020-21	
93.342	Student Financial Assistance Programs Cluster	2021-031	Noncompliant Fiscal Operations Report and Application to Participate Reports - UM Western - Helena College	2	2020-21	Repeated as finding 2023-020.
93.342	Student Financial Assistance Programs Cluster	2021-032	Inadequate Records Retention - Perkins - UM Missoula - UM Western - Montana Tech - Great Falls College	1	2020-21	
93.342	Student Financial Assistance Programs Cluster	2021-033	Noncompliant Monitoring Of Perkins Loans Third-Party Servicer - UM Missoula - MT Tech - UM Western	1	2020-21	
93.775, 93.777, 93.778, 93.767	Medicaid Cluster Children's Health Insurance Program (CHIP)	2021-047	Potential Risk Of Noncompliant Eligibility Redeterminations - Medicaid - CHIP - DPHHS	1	2020-21	
93.767	Children's Health Insurance Program (CHIP)	2021-048	Inconsistent Processes For Aged-Out CHIP Participants - DPHHS	2	2020-21	The auditors did not repeat finding 2021-048 in Montana's 2023 biennial Single Audit report as they found during follow up procedures that they could only verify partial implementation of the recommendation as during the COVID-19 pandemic certain eligibility exemptions were provided to program participants. Notwithstanding, the auditors stated there was sufficient reason to warrant recurrence of finding 2021-048 in Montana's 2023 Summary Schedule of Prior Audit Findings.

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
93.775, 93.777, 93.778	Medicaid Cluster	2021-049	Noncompliant Confidentiality Agreements - Medicaid NCCI - DPHHS	1	2020-21	
93.767	Children's Health Insurance Program (CHIP)	2021-050	Inadequate SOC Report Reviews - CHIP - DPHHS	1	2020-21	
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	2021-052	Noncompliant Subrecipient Communications - ELC - DPHHS	2	2020-21	The auditors repeated finding 2021-052 as well as finding 2021-055 as finding 2023-054.
93.558	Temporary Assistance for Needy Families (TANF)	2021-053	Noncompliant Subrecipient Communications - TANF - DPHHS	1	2020-21	
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	2021-054	Noncompliant Subrecipient Monitoring - ELC - DPHHS	2	2020-21	The auditors repeated finding 2021-054 as well as 2021-052 as finding 2023-054.  The auditors also repeated this finding (2021-054) as well as finding 2021-062 in finding 2023-055.
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	2021-055	Misclassified Subrecipients As Contractors - ELC - DPHHS	2	2020-21	The auditors repeated this finding (2021-055) as well as finding 2021-052 as finding 2023-054
93.558	Temporary Assistance for Needy Families (TANF)	2021-056	Potential Risk of Inaccurate ACF 199 Reports - TANF - DPHHS	2	2020-21	Repeated as finding 2023-058.

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.  
3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
93.568	Low-Income Home Energy Assistance	2021-057	Potential Risk of Inaccurate Federal Reporting - LIHEAP - DPHHS	2	2020-21	The auditors did not repeat finding 2021-057 in Montana's 2023 biennial Single Audit report as the LIHEAP program (ALN 93.568) was not a major program. Nevertheless, they found during follow up procedures that the Montana Department of Public Health and Human Services had only partially implemented the recommendation. As such, the auditors stated there was sufficient reason to warrant recurrence of finding 2021-057 in Montana's 2023 Summary Schedule of Prior Audit Findings.
93.575, 93.596	Child Care and Development Fund Cluster	2021-059	Noncompliant Childcare Provider Inspections - CCDF - DPHHS	1	2020-21	
93.575, 93.596	Child Care and Development Fund Cluster	2021-060	Noncompliant Record Retention - CCDF - DPHHS	1	2020-21	
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	2021-062	Inadequate Supporting Documentation - ELC - DPHHS	2	2020-21	The auditors repeated finding 2021-062 as well as finding 2021-054 as finding 2023-055.
93.558	Temporary Assistance for Needy Families (TANF)	2021-064	Noncompliant FFATA Reports - TANF - DPHHS	2	2020-21	Repeated as finding 2023-071.  The auditors also repeated findings 2021-064, 2021-065, and 2021-066 as findings 2023-068 and 2023-072. Finding 2023-068 implicated Assistance Listing Numbers 93.575 and 93.596. Finding 2023-072 implicated Assistance Listing Number 93.268.

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
93.658	Foster Care- Title IV-E	2021-065	Noncompliant FFATA Reports - Foster Care - DPHHS	2	2020-21	Repeated as finding 2023-070.
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	2021-066	Noncompliant FFATA Reports - ELC - DPHHS	2	2020-21	Repeated as finding 2023-069.
93.658	Foster Care- Title IV-E	2021-067	Noncompliant CB-496 Reports - Foster Care - DPHHS	1	2020-21	
<b>U.S. Department of Homeland Security</b>						
97.039	Hazard Mitigation Grant	2017-011	Inadequate Support for Federal	2	2016-17	The auditors repeated finding 2017-011 for
97.042	Emergency Management	2019-028	Reimbursement - DMA			Emergency Management Performance Grants (ALN
97.047	Performance Grants	2021-015				97.042) in Montana's 2019, 2021, and 2023 biennial
97.067	Pre-Disaster Mitigation					Single Audit reports as findings 2019-028, 2021-015,
	Homeland Security Grant Program					and 2023-075.
						The auditors repeated finding 2017-011 for Pre-
						Disaster Mitigation (ALN 97.047) in Montana's 2023
						biennial Single Audit report as finding 2023-075, but
						did not repeat it in Montana's 2019 or 2021 biennial
						Single Audit reports.
						The auditors did not repeat findings 2017-011 and
						2019-028 for the Homeland Security Grant Program
						(ALN 97.067) in Montana's 2021 or 2023 biennial
						Single Audit reports.
						The auditors did not repeat finding 2019-028 for the
						Hazard Mitigation Grant (ALN 97.039) in Montana's
						2021 or 2023 biennial Single Audit reports.

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	2021-014	Deficient FFATA Controls - DMA	2	2020-21	Repeated as finding 2023-073.
97.050	Presidentially Declared Disaster Assistance to Individuals and Households – Other Needs	2021-016	Noncompliant Reporting - FEMA - DLI	4	2020-21	The auditors did not repeat finding 2021-016 in Montana's 2023 biennial Single Audit report as they found during follow up procedures that the Montana Department of Labor and Industry had no activity to test in the Presidentially Declared Disaster Assistance to Individuals and Households - Other Needs program (ALN 97,050) during the audit period subsequent to Montana's 2021 biennial Single Audit. As such, the auditors indicated there was sufficient reason to classify finding 2021-016 as no longer valid.

**U.S. Department of Interior**

15.605, 15.611	Fish and Wildlife Cluster	2019-034	Improper Review and Approval of Fleet Purchases - FWP	1	2018-19	
15.605, 15.611	Fish and Wildlife Cluster	2019-035	Inadequate Indirect Cost Rate - FWP	1	2018-19	

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
15.605, 15.611, 15.626	Fish and Wildlife Cluster	2019-036 2021-068	Misallocated Costs - FWP	1	2018-19	
<b>U.S. Department of Labor</b>						
17.225	Unemployment Insurance	2021-017	Noncompliant Benefit Accuracy Measurement Reviews - Unemployment Insurance Program - DLI	1	2020-21	
17.225	Unemployment Insurance	2021-018	Miscalculated Pandemic Unemployment Assistance - DLI	1	2020-21	
17.225	Unemployment Insurance	2021-019	Noncompliant Overpayment Offset Processes - Unemployment Benefits - DLI	1	2020-21	
17.225	Unemployment Insurance	2021-020	Potential Risks Over Data Integrity for Pandemic Unemployment Assistance - DLI	4	2020-21	The auditors did not repeat finding 2021-020 in Montana's 2023 biennial Single Audit report as they found during follow up procedures that the Montana Department of Labor and Industry had not continued participation in the federal Pandemic Unemployment Assistance (PUA) program during the audit period subsequent to Montana's 2021 biennial Single Audit. As such, the auditors indicated there was sufficient reason to classify finding 2021-020 as no longer valid.

Status Categories

- 1 - Corrective action was taken. 2 - Finding was not corrected or partially corrected.
- 3 - Corrective action taken was significantly different than reported. 4 - Finding is no longer valid or warrants no further action.

**STATE OF MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
<b>U.S. Department of Transportation</b>						
20.205	Highway Planning and Construction	2015-021	Noncompliant Federal Funding Accountability and Transparency Act reporting - MDT	1	2014-15	
20.205, 20.219, 20.224	Highway Planning and Construction Cluster	2017-028 2019-026 2021-002	Noncompliance with Federal Certified Payroll Requirements - MDT	2	2016-17	Repeated as finding 2023-012.
20.509	Formula Grants for Rural Areas	2021-003	Noncompliance with Federal Procurement Requirements - MDT	2	2020-21	Repeated as finding 2023-013.
20.509	Formula Grants for Rural Areas	2021-004	Noncompliance with Subrecipient Monitoring Requirements - MDT	2	2020-21	Repeated as finding 2023-014.
20.509	Formula Grants for Rural Areas	2021-005	Untimely Recovery of Questioned Costs - MDT	1	2020-21	
<b>U.S. Department Of Treasury</b>						
21.019	Coronavirus Relief Fund	2021-006	Ineligible Grant Recipients - CRF - DOC	1	2020-21	
21.019	Coronavirus Relief Fund	2021-007	Noncompliant Subrecipient Communications - CRF - DOC	1	2020-21	
21.019	Coronavirus Relief Fund	2021-008	Noncompliant Subrecipient Monitoring - CRF - DOC	1	2020-21	

Status Categories

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**STATE OF MONTANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2023**

ALN/CFDA	Federal Program	Finding	Prior Audit Finding	Status	Initial Year of Finding	Comments
21.019	Coronavirus Relief Fund	2021-009	Noncompliant Subrecipient Monitoring - CRF - MDT	1	2020-21	
21.019	Coronavirus Relief Fund	2021-010	Noncompliant Subrecipient Monitoring - CRF - DOA	4	2020-21	The auditors did not repeat finding 2021-010 in Montana's 2023 biennial Single Audit report as they found during follow up procedures that the Montana Department of Administration did not provide any new subawards from the Coronavirus Relief Fund (ALN 21.019) during the audit period subsequent to the 2021 biennial Single Audit. As such, the auditors indicated there was sufficient reason to classify finding 2021-010 as no longer valid.
21.019	Coronavirus Relief Fund	2021-011	Noncompliant Subrecipient Communications - CRF - DPHHS	1	2020-21	
21.019	Coronavirus Relief Fund	2021-012	Duplicate Payments for Quarantine Isolation Program - CRF - DPHHS	1	2020-21	
21.023	Emergency Rental Assistance Program	2021-013	Ineligible Program Recipients - ERA - DOC	1	2020-21	
<b>U.S. Institute Of Museum And Library Services</b>						
45.310	Grants to States	2021-069	Unallowable Bonus Payments - MSL	1	2020-21	

Status Categories

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